IN THE UNITED STATES DISTRICT COURT

FOR THE DISTRICT OF DELAWARE

BIO-RAD LABORATORIES, INC. and THE UNIVERSITY OF CHICAGO,

Plaintiffs,

v.

10X GENOMICS, INC.,

Defendant.

C.A. No. 15-152-RGA

J. Caleb Boggs Courthouse
844 King Street
Wilmington, Delaware

Thursday, November 8, 2018
1:17 p.m.
Oral Argument

BEFORE: THE HONORABLE RICHARD G. ANDREWS, U.S.D.C.J.

APPEARANCES:

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BY: BRIAN E. FARNAN, ESQUIRE

-and-

WEIL GOTSHAL & MANGES, LLP
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For the Plaintiffs

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TENSEGRITY LAW GROUP LLP
BY: MATTHEW D. POWERS, ESQUIRE
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For the Defendant

PROCEEDINGS

01:12:06 THE COURT: All right. Let's be seated.

01:17:19 Mr. Powers.

01:17:23 MR. POWERS: I just wanted to clear up one thing that arose before. Mr. Reines said he had sent us one e-mail and several reminders. It didn't ring a bell with me. I didn't want to speak without speaking with a teammate real quick. It turns out that he was sending it to the wrong e-mail address, so I have given him the proper e-mail address again so hopefully that will be resolved.

01:17:43 As to the underlying issue we have no intention

of the designating deposition testimony on something Your Honor said was out. We didn't know they intended to use Mr. Saxonov on Monday, so now we're prioritizing that for purposes of getting that done. I'm confident that issue will get resolved, but I wanted to explain to the Court why it appears that we were unresponsive to his e-mails.

THE COURT: So we can come back to those issues. Let's first do the thing that we were setting time aside for to discuss this motion, this Daubert motion on Mr. Malackowski which I believe is your motion.

MR. POWERS: It is, Your Honor.

THE COURT: And I did get and I am aware now that lost profits is no longer an issue.

MR. POWERS: So Your Honor, just to put it in context, you'll recall the original opinion relied on three specific benchmark agreements. And I'll be somewhat circumspect --

THE COURT: I know -- I couldn't tell you the names, but I know exactly what you're talking about.

MR. POWERS: I don't think we need to go into details to do this argument.

And what Mr. Malackowski did, those three agreements it's important to note are all on different patents. That's important legally. There was different licensors and there were different licensees. And different

technologies. That much is conceded.

But he took exactly the same royalty rate from those three agreements despite radical differences among them individually, and radical differences between their technologies and ours, and our business and our products. He took them identically without changing the rate at all to account specifically for factors relating to contributions made to our products by 10X's technology which obviously was not an issue at all in those other three benchmarks. Your Honor struck that opinion on the grounds that that's not sufficient evidence of apportionment.

And the argument that was -- that's now being made and to which Your Honor's original Daubert specifically responded, Your Honor's Daubert ruling in a footnote said that if they appear to be relying on the fact that the prior three benchmark agreements, albeit with different patents, different technologies, different licensors and different licensees, those must have been apportioned in some fashion by those parties because the parties are paying a certain rate on certain products and didn't pay a higher rate or lower rate. So there is some implicit apportionment that went on in those agreements.

That Mr. Malackowski would have to show, and I quote, that those agreements were apportioned in a comparable fashion, close quote. And we think Your Honor's

01:20:47 ruling is exactly right, that's what Mr. Malackowski has to
01:20:51 prove. And what that means is that he would have to show
01:20:58 that the -- and this is how Malackowski, Mr. Malackowski
01:21:04 understood your order and tried to respond to your order.
01:21:06 That the ratio, if you will, of license technology value to
01:21:10 unlicensed value in the products of those three benchmark
01:21:14 licenses had to be the same, or presumably greater than the
01:21:18 value here in the accused products, the value of this
01:21:24 Ismagilov technology, over as a numerator and the
01:21:27 denominator being the value of the technology that 10X and
01:21:29 others contributed because 10X, of course, has licensed
01:21:34 technologies from Harvard, for example, and we're paying
01:21:37 royalties to Harvard on those licenses, obviously we
01:21:42 shouldn't be paying money to Chicago for technologies we're
01:21:46 paying monies to Harvard for. And we shouldn't be paying
01:21:50 monies to Chicago or Bio-Rad for technologies not covered by
01:21:55 the Ismagilov patents, but created independently by 10X and
01:22:00 covered by 10X patents.

01:22:02 So I think we're all conceptually agreed as to
01:22:06 what Mr. Malackowski had to do in his supplemental report
01:22:10 which is establish exactly what Your Honor's order demanded
01:22:14 which was the apportionment that happened with those three
01:22:18 benchmark licenses is the same type of apportionment that
01:22:21 happened here or is that applicable here, and that's exactly
01:22:24 what he did not do and said repeatedly he could not do.

01:22:27 And just to show that we're all really on the
01:22:30 same page, I would like to hand up if I may Exhibit 25 from
01:22:35 Mr. Malackowski's deposition.
01:22:37 THE COURT: Okay.
01:22:50 MR. POWERS: This is an exhibit he drew in his
01:22:53 own hand without being told what to draw and it's expressing
01:22:58 his view of the analytic basis and assumption behind his
01:23:03 opinion of apportionment. Just to make sure that his
01:23:09 notations clear, the top notation is R sub H equals a
01:23:14 function of PIS over UL, PIS stands for patents-in-suit, UL
01:23:21 is unlicensed, so he's saying H is the hypothetical
01:23:26 negotiation. He's saying the royalty rate resulting from a
01:23:29 hypothetical negotiation is a result of that fraction,
01:23:32 whatever the value is contributed by the patents-in-suit
01:23:34 over the rest of the value contributed by other sources,
01:23:38 including Harvard and 10X's own technology.
01:23:40 Then even you saw R sub one, R sub one, R sub
01:23:46 two and sub three, those you are all the same the benchmark
01:23:49 licenses we have all been talking about, it's a function of
01:23:53 L over UR, which is licensed value over unlicensed value.
01:23:57 The bottom left, he says RH has to be greater than or equal
01:24:01 to R1, R2 and R3.
01:24:04 And so he is admitting, frankly, that his
01:24:10 analysis, which is, I'll get to this a little bit more in a
01:24:14 bit, you unique in my experience, I have never seen somebody

01:24:20 try to justify apportionment based on this theory that it
01:24:24 must be the item apportionment done by different people over
01:24:28 different theories over different products and proving that
01:24:31 proposition. He's already way out there on a limb, a very
01:24:35 specific, very unusual, very untested completely unsupported
01:24:41 legally theory, but that's the theory he chose. But that's
01:27:16 the theory he took, so we stuck with that theory. And that
01:27:20 theory is excessively quantitative, specifically because he
01:27:24 wants to take the same royalty rate from those three
01:27:28 agreements and be able to justify that by the fact that
01:27:31 these ratios are greater than or equal to that same ratio.
01:27:37 So they're absolutely right that in a normal apportionment
01:27:41 analysis, there's qualitative components to it for sure, and
01:27:44 it doesn't have to be a hundred-percent precise.
01:27:47 That's where you have a straight-forward
01:27:49 analysis of here's what we think the royalty -- here's what
01:27:52 the royalty rate should be, but we acknowledge this, this,
01:27:55 and this are contributing to the patent, to the product.
01:27:58 And this product, this particular feature has value from
01:28:02 this source, and that source, and you deduct that.
01:28:06 There's qualitative input to that analysis. It
01:28:08 results ultimately in percentage reductions, but that's how
01:28:11 that apportionment would work in a normal case. The key
01:28:14 point is here he's chosen a bizarre, frankly, untested
01:28:21 theory that says if that's based on this completely

quantitative analysis that says I can use these rates from this other agreement, solely because the ratio is the same.

And let's be clear as to why that's needed. If the rate he's assuming that the ratio of R sub one, R sub two, and R sub three is the rate, and he wants to take that exact rate and use it on ours.

Now, apportionment law says the rate that you choose for our patents and our products, rather, has to be based on the actual contribution in our case of the patented technology versus other technology. He's chosen not to try to do that.

So now he has to prove the exact quantitative relationship that he set out in Exhibit 250 of his deposition. So when Bio-Rad argues that you can have qualitative aspects to apportionment, that is most certainly true in the normal case. That does not apply when someone has picked this completely strange method of trying it to do apportionment where you're relying on what he's admitted is a quantitative analysis because inherently, they only justify that rate of X if X is greater than or equal to the ratios of those other agreements.

And with that premise, there is no question that he's utterly failed to do that. He's admitted he's utterly failed to do that. He doesn't know even what's in the numerator or denominator on any of those equations, much

01:30:09 less trying to value it in some way.

01:30:11 And so to be a little more concrete about that,
01:30:15 and let's just take the accused products. So for the
01:30:19 accused products, he has to establish that the ratio of the
01:30:27 value contributed by Ismagilov over the value contributed by
01:30:32 the Harvard patents, by our own technology which is
01:30:36 undisputed, but that there's a lot of it, that that ratio
01:30:39 equals 15 percent. Because that's the rate he wants to
01:30:45 impute. If that ratio is different, he should apportion
01:30:47 down to 12 percent, or ten percent, or one percent. So it
01:30:51 matters what the ratio is.

01:30:53 And he has no idea what the ratio is. In
01:30:58 fairness, the best he could do -- I think the fairest
01:31:01 description of what he's done is to say in those three
01:31:07 benchmark agreements, there's a lot of value in the
01:31:11 numerator. We don't know how much, but there's a lot.

01:31:13 And it's different in each one. It's different
01:31:15 in R one, R two, and R three. But there's a lot in each.

01:31:20 And then the hypothetical negotiation, he says,
01:31:23 Well, there's a lot in ours, too. So the numerators are all
01:31:27 comparable. There's a lot. Nothing more than that.

01:31:30 Now, the denominators are what are the
01:31:33 unlicensed contributors to value of the either licensed
01:31:36 products in the case of the benchmark agreements or the
01:31:39 accused products here. Well, for the licensed products, he

looks at a couple of brochures that he grabbed off the internet and says, Well, they claim this and this, and that seems to be something not covered by the patent. So I'll count that in the denominator. Have no idea how valuable it is or anything else or whether that's right, whether the customers should care about that, whether it contributed value or not. No clue.

And in the accused products, we have detailed evidence from Mr. Sullivan, our expert, going through a large number of contributed values from either 10X or Harvard technology, and explaining a detail why each of these contribute meaningfully significantly to the value of the accused product.

THE COURT: Doesn't Malackowski respond to that?

MR. POWERS: Exactly. I was just getting to that. So Mr. Malackowski's response to that is sort of two-fold. One is he quibbles with a few of them. And says, Well, but arguendo, I'll assume it has some value. He actually flat out disagrees that a few of them have value based on really nothing more than his subjective view. And if you read his report, it's -- I don't -- he's not -- has no foundation or background to make that decision, don't think that should be included in apportionment.

So, for example, the method of manufacturing the gel beads where he comes off making that decision as someone

who doesn't know about how customers value that, it's obviously inappropriate. But what he does is say, Well, there's a long list of things that Dr. Sullivan says have contributed value that aren't licensed. I'm going to quibble about a few, but I'll begrudgingly accept "arguendo." I'll outright just dismiss a few without foundation to do so, and I'll accept some others, but not give them any particular value.

And when we asked him at his deposition what he would include in the denominator in any of these, he said, as we put in the briefs several times, Well, this isn't a laundry list. It's not about making a list. I don't need to make a list. The point is there's substantial unlicensed value in each one.

And that's as good as his opinion gets. So he has an opinion that says, I can take the exact percentage rate from these three agreements based on a formula that requires that the ratio in those three agreements is greater than or equal to the same ratio in the accused products in the hypothetical negotiation. But I don't know what's in the numerator, or the denominator, or in terms of value on any of them. And I'm not sure even conceptually what's in the denominator in most of them.

But I can say there's a lot of value in the numerator for all of them and a lot of value in the

01:34:41 denominator for all of them. And that makes them
01:34:41 comparable.
01:34:44 That is truly as good as his opinion gets. And
01:34:48 so our problem, obviously, with that opinion is two-fold.
01:34:53 One, it is legally unsupported. There is no
01:34:58 decision that I'm aware of, and Bio-Rad has cited none that
01:35:03 expressly adopts that methodology. And the entire point of
01:35:08 Daubert -- let's make sure we're not losing that -- the
01:35:12 entire point of Daubert is to preclude experts from giving
01:35:16 opinions that seem impressive based on the expert, but in
01:35:20 fact, are not based on a methodology that has been approved
01:35:24 and generally adopted. That's the purpose of Daubert.
01:35:28 And the fact that Bio-Rad is unable to cite a
01:35:32 single decision, Federal Circuit or District Court which
01:35:36 adopts that methodology and says that is an approved
01:35:40 methodology for doing apportionment, I think dooms this from
01:35:43 the beginning. That should end the inquiry because that is
01:35:46 what Daubert is about.
01:35:48 But the second point and equally powerful is
01:35:51 that even if one were to assume that that's an acceptable
01:35:54 methodology, you have to apply it in a reasonable way. And
01:36:02 the methodology says I can use the exact same reasonable
01:36:06 royalty from these three licenses over here because this
01:36:09 ratio is greater than or equal to.
01:36:11 But I don't know what the ratio is in any of

them. I don't know how the numbers went into any of the three agreements. So I can't prove what Your Honor said he must prove, which is it was apportioned in a comparable fashion because he doesn't know.

And as to the accused products which is where the apportionment law is much severe, that's the whole point. I have apportionment. You have to be able to. Looking in the contribution of value in the 10X products, and there his full analysis is, A, to quibble with a few of them without foundation or basis, but to accept them arguendo, again, without really giving them any credit.

B, to accept a few others, but without quibbling, but to say, I don't know what their value is. And, you know, C, to say that roughly this all seems comparable because there's a lot on each side. That is. Under no set of circumstances, a reasonable way to apply a theory which has not been accepted legally at all.

And so, that is --

THE COURT: When you say a theory that has not been legally accepted, is there a case rejecting the theory, or is it essentially just that, you know, in the end, it's maybe not novel, but it's just a different set of facts, so we normally have --

MR. POWERS: It's not a different set of facts, it's a different theory. The theory could have been argued

01:35:35 in a thousand patent cases because in a thousand patent
01:35:38 cases you have an assertedly comparable license, and you're
01:35:43 trying to compare that to this agreement, to this
01:35:47 hypothetical negotiation, and that's standard. But
01:35:51 apportionment is typically done as Your Honor knows from
01:35:55 many, many cases very, very different.
01:35:57 I'm aware of only one case where this has been
01:36:01 tried and that was by Mr. Malackowski with Bio-Rad's lawyers
01:36:06 in a prior case against Oriosa and the theory was neither
01:36:12 proven nor rejected.
01:36:13 And we challenge Bio-Rad to give us a case that
01:36:21 would bless this methodology, because that is the point of
01:36:24 Daubert, and/or to show some other source, some licensing
01:36:32 executive society treatise that says how licensing is done,
01:36:37 something that would meet the test of Daubert conceptually
01:36:41 that says we're going to allow this methodology to go to the
01:36:45 jury because it's accepted.
01:36:46 And there has been nothing coming back from them
01:36:51 that accepts it. And there is so many reasons to be
01:36:55 doubtful about it. You're comparing -- you're trying to
01:36:59 take -- the whole point of apportionment is to account for
01:37:03 our specific circumstances. That's the whole point. And
01:37:08 their argument is we can avoid all of that by saying that
01:37:12 there is a lot of value in these other three licenses and a
01:37:16 lot of unlicensed value and, therefore, it must be the same.

01:37:19 And that's just simply not a theory that ought to be
01:37:24 approved by any court, and certainly not by this court, and
01:37:28 certainly not by this court with these facts.
01:37:31 Now, the only really new fact upon which
01:37:38 Mr. Malackowski attempted to rely in his supplemental
01:37:42 report, Bio-Rad's briefs said he considered almost all these
01:37:47 things. Well, almost all these things were considered in
01:37:49 his original report. The only new thing he relied on was
01:37:54 the conversation he had with Mr. Shinoff. As you'll recall,
01:37:57 we took Mr. Shinoff's deposition.
01:37:59 THE COURT: By the way, I understand I believe
01:38:02 he's a Ph.D., so I'll call him Dr. Shinoff.
01:38:06 MR. POWERS: I'm happy to agree. I think all
01:38:09 Ph.D.s ought to be called doctors.
01:38:13 THE COURT: Unless they're lawyers.
01:38:15 MR. POWERS: Unless they are lawyers, agreed.
01:38:17 Dr. Shinoff, his --
01:38:19 THE COURT: Actually I was curious about that,
01:38:20 because I notice the references to Ph.D. and I was wondering
01:38:26 is this a Ph.D. in business administration?
01:38:29 MR. POWERS: No, it's in a health-related field.
01:38:31 It's just not related to microfluidics or anything related
01:38:36 to this at all. He's taken one class I think on
01:38:39 biochemistry at one point.
01:38:40 THE COURT: What is his Ph.D. in?

01:38:42 MR. POWERS: Something about vaccines as I
01:38:45 recall.
01:38:47 MR. REINES: Biourology.
01:38:50 THE COURT: Biourology. Go ahead, talk about
01:38:53 Dr. Shinoff.
01:38:54 MR. POWERS: I think it's Shinoff. Dr. Shinoff
01:38:59 testified at great length that he had no foundation to talk
01:39:03 about the most important part of the equation, which is the
01:39:07 contribution of value from the unlicensed aspects of the
01:39:11 accused products compared to Ismagilov. That's the most
01:39:16 important part of apportionment, that's what apportionment
01:39:18 is supposed to take into account. He never used the 10X
01:39:22 product. He never talked to customers about a 10X product.
01:39:27 He has no foundation at all to give opinions, though he's
01:39:31 quite willing to give them about what the value is of the
01:39:35 unlicensed aspects of the accused products. In some cases
01:39:41 he didn't even know what they were. In many cases he didn't
01:39:45 know what the unlicensed value was. He didn't even know
01:39:48 what the unlicensed item was, didn't know what surfactant
01:39:52 used for example, which is a key part of our technology,
01:39:55 licensed at Harvard, paid for to Harvard, a huge value to
01:40:00 our technology. He didn't know what it was. He had some
01:40:03 guesses and maybe surmises, but no idea. And that was true
01:40:07 of several aspects of things that would be in the
01:40:09 denominator. And he basically said I have no idea on that

question.

So he can provide no meaningfully input to Mr. Malackowski on the most important part of the apportionment equation which is the contribution of the unlicensed aspects to the value of the 10X products. There is extensive evidence in the record which is Dr. Sullivan's report which shows all those things are very substantial contributions, and there will be evidence in the trial about the contribution of those unlicensed features.

So Dr. Shinoff is -- and we went through in detail so his position on, for example, what should be in the numerator, he couldn't give a quantitative assessment of that, of course, but he did exactly what Your Honor said Bio-Rad can't do which is assert that substantial because it's quote foundational, i.e., you have to have it in order to do droplets.

And he doesn't have the basis to do that opinion. That's an opinion, no doubt. He's not an expert witness. He has no foundation to give that opinion. That's just what he's been told to say. But he has no foundation to give it.

THE COURT: Remind me his position at Bio-Rad relating to quality control or marketing or what?

MR. POWERS: Licensing. From a business development licensing role.

01:41:43 THE COURT: All right.

01:41:47 MR. POWERS: And on the benchmark licenses, 01:41:53 Dr. Shinoff had more foundation there than he does in 10X. 01:41:57 He has zero at 10X, but on those licenses as well, he was 01:42:02 unable to provide the basic information that Mr. Malackowski 01:42:05 would need in order to do his equation. The equation that 01:42:08 he wrote out that said is the basis for his opinion.

01:42:12 THE COURT: Did Mr. Malackowski or Dr. Shinoff 01:42:14 in their depositions say how long they had spoken to each 01:42:19 other on the topics that became the basis for 01:42:25 Mr. Malackowski's footnotes?

01:42:27 MR. POWERS: Well, the facts are as follows, at 01:42:31 least according to the depositions. Dr. Shinoff did not 01:42:35 speak to Mr. Malackowski before the supplemental report was 01:42:39 submitted. He spoke with an associate of Mr. Malackowski 01:42:43 who wrote up some notes. And --

01:42:47 THE COURT: So before he would get into the 01:42:49 notes, how long did he talk to the associate?

01:42:51 MR. POWERS: An hour. That was his estimate, an 01:42:55 hour.

01:42:55 THE COURT: Go ahead.

01:42:55 MR. POWERS: Mr. Malackowski had no direct 01:42:58 conversation at all with Dr. Shinoff before the report was 01:43:00 submitted. He had a discussion apparently with his 01:43:04 associate, and he got the notes. The notes are an exhibit

01:43:09 to Mr. Malackowski's deposition, because we didn't learn
01:43:16 until Dr. Shinoff's deposition that he hadn't actually
01:43:19 talked to Mr. Malackowski, so we asked for the notes and got
01:43:22 them that night and used them the next day in
01:43:25 Mr. Malackowski's deposition.
01:43:26 And Mr. Malackowski couldn't remember the
01:43:29 details of how much he got from the associate versus how
01:43:32 much he got from the notes, and he couldn't remember the
01:43:36 time of the conversation.
01:43:37 THE COURT: How much time Malackowski spoke to
01:43:42 the associate, what I was interested in is how long did
01:43:48 Shinoff and Malackowski talk to each other and the answer is
01:43:51 an hour.
01:43:52 MR. POWERS: Fair enough. And our understanding
01:43:55 from Mr. Malackowski is that after the deposition -- sorry,
01:44:00 after the supplemental report was submitted, Dr. Shinoff
01:44:03 then had a conversation directly with Mr. Malackowski before
01:44:06 his deposition at which according to them, essentially the
01:44:11 same substance was transmitted as what was transmitted to
01:44:15 the associate. The allegation was there was nothing really
01:44:20 new or different.
01:44:20 There was after the report before the deposition
01:44:22 a direct conversation finally between Dr. Shinoff and
01:44:26 Mr. Malackowski.
01:44:27 So Dr. Shinoff, which is really the only new

01:44:32 evidence, quote unquote, that Mr. Malackowski had, other
01:44:36 than a couple of data sheets he pulled off the internet for
01:44:40 some of the products that aren't products in suit, but
01:44:43 others, simply cannot give him remotely close to the type of
01:44:52 information that would be reliable in making the assessment
01:44:55 that his quantitative approach demanded.
01:45:00 And so our view is that the report should be
01:45:07 struck not only because the methodology, this very strange
01:45:10 untested apportionment methodology had not been approved by
01:45:16 anyone, but even if a provable, it certainly has been done
01:45:19 in a fashion that is not sufficiently reliable to get in
01:45:23 front of a jury.
01:45:24 Really what this comes down to at the end of the
01:45:26 day is pure ipse dixit. I know you're Your Honor is deeply
01:45:34 familiar with Joiner and other law on that question. But
01:45:38 he's saying, trust me, I think the ratios between those is
01:45:41 roughly the same so, therefore, you can take this exact same
01:45:44 percentage over. That's just not the type of opinion that
01:45:48 Daubert permits to go to a jury.
01:45:50 And I do want to note beyond those two points,
01:45:56 because those two points are sort of at the core of the
01:46:00 issue, the methodology is not accepted and the application
01:46:02 for the methodology to the facts is flawed, and absent. But
01:46:07 there are reasons for intense skepticism about both the
01:46:12 methodology and its application here.

01:46:14 Let's start with the Applera license. Again, I'll be circumspect, but I don't believe I need to go further than that for the argument. That's really the lead license they're relying on, it's almost always first. The Applera license has so many things that are different about it that we could talk for quite some time about it, but I don't think we need to, I think the top three or four are enough.

THE COURT: On that, didn't either you or your predecessors already have a chance to raise these issues, and you raised them and I rejected them or you didn't raise them. And what we talked about so far I think is fairly brought up by the fact that we have had new reports and -- but you now seem to be transitioning to parts that the judge wants to bring out a stamp that says rehash and pound it down.

MR. POWERS: Partially fair, but partially not. Your Honor is correct, absolutely, that arguments against comparability were made. And Your Honor, I think, rejected those arguments and said the license agreements can be used. That doesn't mean you can just take the rate wholesale.

So that argument has been redacted, and I'm not attempting to rehash that one. What I'm saying is now he has this intensely specifically quantitative analysis that requires an understanding of the value contributed by the

01:50:18 licensed technology over the value contributed by other
01:50:22 technology.
01:50:22 And my point here is not to ask you to find that
01:50:26 they're not comparable. I'm asking you to find that there's
01:50:31 reasons for skepticism that the value in the numerator is
01:50:36 equivalent to the value of the numerator here. And when you
01:50:39 have someone who's just assuming basically, well, there's a
01:50:42 lot of value in both numerators, I'm going to assume that's
01:50:42 comparable.
01:50:46 But there's reason to understand that the value
01:50:48 in the Applera numerator is a thousand times more than the
01:50:52 value here. That's directly relevant to the issues raised
01:50:56 by this motion which is: Are the values in the ratios the
01:51:00 same? So that's a new argument. That's the new application
01:51:04 of the prior argument.
01:51:06 So Your Honor's right, I'm not asking you to
01:51:08 revisit your question. You've decided it, and we
01:51:11 respectfully disagree, but that's not for now.
01:51:14 But he is taking a position now in the
01:51:16 supplemental report that the value of the Applera numerator,
01:51:21 i.e., the value contributed by those values is roughly
01:51:24 comparable to the value of Ismagilov. And the fact that the
01:51:28 Applera licensing program was worth over $2 million, is one
01:51:33 of the most successful licensing programs in history, that
01:51:36 it covered the Nobel prize winning PCR patents from Kary

Mullis, that those patents are comparable to Ismagilov where the licenses were rejected by 19 out of 20 suits or -- and they've gotten -- I don't think I can say the number -- an extraordinarily small number of royalties, that is, orders and orders and orders of magnitude below the number of the Applera license. That's the value of the numerator.

And so there's intense reason for skepticism that his ipse dixit, it's about the same. It is sufficiently reliable to give to this jury.

The same is true with regard to the Caliper license. The Caliper license, and the numerator had 550 patents. 550.

Now, Mr. Malackowski, for reasons that he doesn't explain, or support, or defend chose only five of those. And basically said, I think the value of those five is roughly equivalent to Ismagilov. There's really no foundation at all, either for selecting the five or for attributing value to the five. And that is highly suspect. He has no basis to say that there's only five that are worth having.

Then in the supplemental report, he appears to rely on Dr. Shinoff. Dr. Shinoff's testimony, when we get to it -- we got it in deposition -- was not that he had any information about the validity of the Caliper RainDance license, but he got it from someone named Mr. Link.

01:53:28 He had a phone call with Mr. Link, either the
01:53:31 very day that he talked with Malackowski's associate or the
01:53:34 day before. Now, Mr. Link told him, don't know why, don't
01:53:38 know the basis. We know nothing about it. Well, I think
01:53:41 only two really matter.
01:53:44 We don't know if the two that Mr. Link thinks
01:53:47 matters are within the five that Mr. Malackowski chose. We
01:53:50 know Mr. Malackowski didn't talk to Mr. Link. We have no
01:53:54 idea. And their argument appears to be that Mr. Malackowski
01:53:59 can now rely on the statement from Dr. Shinoff who has no
01:54:03 foundation at all, who's getting it from a conversation with
01:54:06 Mr. Link.
01:54:07 Dr. Shinoff doesn't know which two patents
01:54:10 Mr. Link thought were the ones that mattered. He doesn't
01:54:13 know why. He doesn't know what value they had. It was as
01:54:19 sketchy as you get for double hearsay, and yet that appears
01:54:23 to be the sole basis Mr. Malackowski has, even assuming that
01:54:27 the two that Mr. Link told Dr. Shinoff about are within the
01:54:30 five that Mr. Malackowski had earlier relied upon. So
01:54:34 that's Caliper RainDance.
01:54:37 Applied Bio versus QuantiLife, key issue there
01:54:42 is Applied Bio only applied to kits. And you will recall in
01:54:48 this case, there's a big difference and a big argument about
01:54:51 the licenses that only apply to kits versus instruments.
01:54:55 And in this case, they're trying to say apply a kit license

to an instrument product, and to instruments and kits.

And there are all sorts of reasons explaining why the value contributed to a kit might be a lot higher to that kit because often a kit has, for example, a reagent. And a reagent -- the patent may cover the entirety of the reagent. In fact, it's quite common.

So there's not an apportionment issue at all, and so the value in that license is huge. It's a hundred percent. No discussion by Mr. Malackowski about that issue at all.

So for all three of his benchmark licenses, there is extreme basis for skepticism about the ipse dixit of I think this unquantified, unnamed, not even conceptually defined value in the numerator and denominator. And these three patents, just should be comparable to the conceptually undefined and unquantified value of the numerator or denominator for the accused products.

I only want to make one other point, if I may.

THE COURT: All right.

MR. POWERS: And this goes back to Your Honor's question earlier, he did respond to Dr. Sullivan on some of these points relating to the unlicensed value. And Your Honor may think this ship has sailed because of all the things that have happened, but in the normal course in this Court, you don't get a reply rebuttal report, and that's

01:56:42 essentially what he did. He could have done that in his
01:56:44 initial report. He could have said, I understand these are
01:56:47 the allegations, and I don't think so.
01:56:49 So he took a bit advantage. It's one thing to
01:56:54 say, Here's my defense of my apportionment, which is really
01:56:56 what was invited by Your Honor's Daubert. It's another
01:56:59 thing to say, While I'm at it, I'm going to try to go do
01:57:03 some extraneous other things that I would like to have done
01:57:06 in my initial report, but didn't.
01:57:08 So that's the issue we were raising in the brief
01:57:10 with regard to the improper response to Dr. Sullivan. I
01:57:18 just want to note it.
01:57:19 THE COURT: Is that the way it's portrayed in
01:57:21 the briefing? You haven't exactly said this, but this is
01:57:27 what I take it you're saying is those things should be
01:57:30 struck?
01:57:30 MR. POWERS: Yes. We had two points about that
01:57:34 section of his report. One is they should be struck because
01:57:37 it's improper. It's just responding to Sullivan which Your
01:57:41 Honor didn't invite, I don't think.
01:57:42 THE COURT: No. I don't think I did.
01:57:44 MR. POWERS: And the second point is it's
01:57:46 without foundation. And so we went on at length after that
01:57:48 to explain how he said based on my lay opinion, I can say I
01:57:53 don't think that factor matters or this factor, and over and

01:57:56 over again his report makes clear he really has no
01:57:59 foundation to quibble with the items raised by Dr. Sullivan.
01:58:04 THE COURT: But given that we're talking about
01:58:08 numerator and denominator, and part of you what have
01:58:15 Dr. Sullivan said was, and then you have characterized him
01:58:22 as saying that, you know, I've looked at the things that are
01:58:27 in the denominator, and they're all these contributions. So
01:58:33 that the denominator ought to be very big. It seems like
01:58:37 the denominator part that 10X contributed to 10X's product.
01:58:49 Doesn't that become more relevant than it might
01:58:52 have been otherwise at the time of a reply report given
01:58:57 where we were at that time?
01:58:58 MR. POWERS: I think that's partly fair. That's
01:59:00 why I raised it in the manner that I did. I think he went
01:59:03 beyond that, and that's why we raise the issue.
01:59:07 I think there was an attempt to exploit the gap
01:59:10 in his original report that we thought was improper.
01:59:13 Certainly, some of that would be appropriate if he's trying
01:59:15 to value the denominator, but he really wasn't. I mean, he
01:59:19 was going through and, as I say, quibbling at some level,
01:59:25 but "accepting the arguendo," as he put it without saying
01:59:28 what that meant in terms of value. So I'll leave that to
01:59:36 Your Honor, but --
01:59:37 THE COURT: Okay.
01:59:37 MR. POWERS: -- I think he went beyond the

01:59:40 proper role of a supplemental report invited by your Daubert
01:59:43 ruling, and that's why we raise the issue.
01:59:46 THE COURT: Okay. Thank you, Mr. Powers.
01:59:50 MR. REINES: After all that, do you want to take
01:59:53 a break or push through it?
01:59:54 THE COURT: Why don't we go through unless you
01:59:56 want to take a break.
01:59:57 MR. REINES: No. No. I'm good.
01:59:59 THE COURT: I do have a question which is
02:00:03 perhaps only tangentially related to what we're talking
02:00:09 about. With the dropping out of the lost profits, has that
02:00:13 led to a recalculation of the amount of reasonable royalty
02:00:17 damages?
02:00:18 MR. REINES: No, just falls away. There is a
02:00:21 reasonable royalty opinion that's still intact that --
02:00:24 THE COURT: Okay. And then the reasonable
02:00:27 royalty, what's the damages figure?
02:00:30 MR. REINES: It's 24?
02:00:33 THE COURT: Twenty-four million?
02:00:35 MR. REINES: Twenty-four million. It's 24
02:00:37 million. And we've asked for an update to get current for
02:00:40 now, and we haven't heard back. I don't know if that was to
02:00:44 the right email address or not.
02:00:46 No more argument.
02:00:48 MR. POWERS: That one did go to the right email

address. As Your Honor will recall, both sides supplemented financial and other information a month ago maybe.

MS. HADZIMEHMEDOVIC: September 15th.

MR. POWERS: That went through Q2 of 2018. I don't even know if Q3 is finalized yet, but the idea that we should supplement again just for those three months a couple days before trial would be highly unusual.

MR. REINES: Your Honor, can I address that?

THE COURT: Sure.

MR. REINES: So I had a trial against Mr. Gindler in January where we won about 25 million. And the argument that was made by the Irell team that if we didn't ask for the up-to-date, financials up-to-date for trial, we forfeited it.

THE COURT: Well, so why don't we just say that the number -- because I assume then you're looking for some kind of damages awards that will cover through the end of the second quarter of 2018. And if you win, the question of relief or for infringement after that date will be subject to the further proceedings.

MR. REINES: Yeah, but the argument was made that we forfeited by not asking and not having it, so forth and so on.

THE COURT: Yeah. So Mr. Powers, what I just said, does that work for you?

MR. POWERS: It does.

THE COURT: Okay.

MR. REINES: Okay. Great. Thank you.

All right. Your Honor, so just as a reset, the use of comparable licenses for reasonable royalty is as old as the hills. They have to be comparable. That's the longest established law, and that's typically by licensing professionals and damages experts assessing one license, on one hand, and another license, on the other hand.

In recent years, recent months more, but nevertheless, two or three years, it's been increased to this apportionment. And so enterprising defendants have been starting to argue that when you do the comparable license, you have to take someone else's license and do an apportionment analysis. And judges around the country have rejected that, Judge Freeman, Judge Hilton, Judge --

THE COURT: What about Judge Andrews?

MR. REINES: We don't have an opinion on.

THE COURT: Never mind. Go ahead.

MR. REINES: Yeah. So in terms of Judge Andrews, I don't think the argument had been presented. I actually -- so I just want to do a reset. The idea that you're doing apportionment as a subcategory for comparability of licenses, that's a new thing. So the idea that what's going on here is somehow Malackowski is coming

up with something new --

THE COURT: So what you're trying to explain is why the thousand cases we don't see this idea in?

MR. REINES: You don't see this debate until the last couple of years, exactly right.

THE COURT: Okay.

MR. REINES: And then you see it a lot. The three judges I just mentioned, cases we submitted. The judge says, No, it doesn't have to be quantitative. That doesn't make sense.

And so people have been doing that qualitative comparison that Mr. Powers spoke about eloquently in that daily genre round table, which I commend to you, because that's the way people always have done it. They have licensing professionals like Dr. Shinoff who was a licensing professional, by any measure. Mr. Malackowski, their licensed professional. They size up one, they size up the other. That's what's always gone on.

Now, here to you, Judge, and I think you may not be able to weigh in on the chorus of rejecting this falls precision of qualitative apportionment analysis because Mr. Powers moved back from the briefing and set the bar a little lower for himself. He said the law doesn't require quantitative, which he has to say given his public statements and so forth.

02:04:20 THE COURT: He doesn't have to be consistent
02:04:22 with his public statements.
02:04:24 MR. REINES: Well --
02:04:24 THE COURT: He's not arguing to a court, but in
02:04:27 any event.
02:04:29 MR. REINES: He searches for credibility. You
02:04:31 both have credibility, but maybe at the end of trial neither
02:04:35 one of you will.
02:04:35 MR. REINES: We'll see. So the argument that
02:04:37 was made is that this exhibit is the basis for -- is a
02:04:44 strange format for a methodology for reasonable royalty, and
02:04:51 that this binds him, Mr. Malackowski, to do a quantitative
02:04:55 analysis because everyone knows when you have VL and you
02:04:59 have the fractions, it's got to be quantitative. So having
02:05:02 set up this quantitative model, he had to meet it. And
02:05:05 we're not arguing that the law requires it which, of course,
02:05:08 we gave you three cites dead on, and in the exact same
02:05:11 context that said, no, you don't. Exact same context.
02:05:15 So I looked at the testimony because we didn't
02:05:18 get this in advance. Oh, I brought it up right here. And
02:05:23 the question was -- this is the page, at 249. It's
02:05:25 important to make sure that I understand your reference to
02:05:29 the ratio. I think you said qualitative ratio that you were
02:05:32 establishing in you supplemental report. It goes on, and
02:05:35 then it asks him to draw it out.

02:05:37 This, at an analytical level, is correct whether
02:05:40 you do quantitative or qualitative. This is a parlor trick
02:05:45 that the fact that he put it in Quake's form somehow
02:05:49 obligates him to go do a qualitative analysis. That makes
02:05:52 no sense.
02:05:53 Yes. It's true that in order to be a comparable
02:05:56 license, the value of this to the value that needs to be in
02:06:00 the ratio, that's at or greater than the rate. That's just
02:06:03 the analytics. So this is analytical. It doesn't bind you
02:06:07 to false precision of an impossible quantitative analysis
02:06:11 that would be the ground for another attack.
02:06:15 So the theory of the methodological attack is
02:06:21 gone because he conceded. He said to you, and we'll have a
02:06:26 transcript, that he's not saying the law requires this.
02:06:28 He's saying that it comes out of this exhibit that didn't
02:06:31 make it into their brief, Exhibit 25. And that's just a
02:06:36 fallacy. Now, but I'm not saying there's not another half
02:06:38 to his argument because there is. At the end, we were
02:06:40 getting odds and ends, but the other half of the argument is
02:06:44 that the application of the methodology was so unreliable,
02:06:48 good old-fashioned, the defense counsel argument, that the
02:06:53 methodology was applied in such an ipse dixit unreasonable
02:06:57 way without sufficient evidence. That's not good enough.
02:07:00 I think when you shake it off, that's really the
02:07:03 argument. Because the methodological one is just -- as I

said, it's a parlor trick in terms of the evidentiary attack on this. These patents are like -- for example, the QuantiLife is a droplet PCR product that everyone knows about Dr. Shinoff knows about it from patents and everything else.

I mean, he's the -- one of their competitors that he's responsible for, you know, that they acquired the company. He owns the company. He owns their patent portfolio. He doesn't understand that product.

It has droplets. It does PCR. It has software. So let's look a little bit. And then the other thing that was striking -- let me stop for a second. The other thing that was striking about Mr. Powers' argument was, on one hand, he wants to argue this at the evidentiary level because for the reasons stated, methodological doesn't work.

And at the evidentiary level, he says, I don't want to discuss details. I'm not going to get into specifics and that frees him from the record of a systematic analysis of the record. And then he starts dropping into things that I don't think are often supported by the record like. For example, the MJ case was about PCR machines.

THE COURT: I'm sorry. The MJ case is what?

MR. REINES: That is the case they were talking about that related to the Applera license. It involved PCR.

THE COURT: Okay.

02:08:31 MR. REINES: And the characterizations of that
02:08:34 license are not anchored in the record. They're just
02:08:37 argument. They're the kind of argument you'd expect that
02:08:40 you'd -- sorry about that.
02:09:06 That was funny. Sorry about that.
02:09:13 THE COURT: It's okay.
02:09:13 MR. REINES: It's like my house with the Alexa
02:09:17 thing. Okay.
02:09:17 So I addressed the quantification. What I
02:09:24 wanted to get to was -- well, actually I think this is worth
02:09:31 it. Forget who said it. License negotiation based on
02:09:37 qualitative factors when people are in the real world.
02:09:38 THE COURT: No. No. I did read the stuff that
02:09:41 you had in your brief, and I'm sure in the real world nobody
02:09:45 sits around with pens and pencils trying to figure out three
02:09:48 decimal places on this patent, that things that really
02:09:52 cannot be quantified.
02:09:54 MR. REINES: Right. Right. But --
02:09:57 THE COURT: And I think based upon what
02:10:02 Mr. Power said today, and that there is a rule for, for lack
02:10:12 of a better description, of a qualitative assessment being
02:10:17 because one could say -- and Mr. Powers, you don't need to
02:10:29 jump up and down here -- but one could say that one thing is
02:10:36 larger than another thing without really being able to say
02:10:41 what size either thing is.

02:10:43 MR. REINES: It's called false precision. Yeah, trying to bring it to a number rather than saying, Look, this is -- I mean, keep in mind here, the basic premise of his argument, and I think this is undeniable, is that the droplet inventions of Professor Malackowski, the first reaction in droplets, which is now you're going to hear for a week about the booming fields of droplets and how everybody wants to get their hands in droplets, and how great 10X has done with droplets, and how great Bio-Rad's done with droplets, and how this is the next big thing on the horizon. That the droplet inventions aren't anything compared to Caliper's microfluidic invention or the PCR invention that was at issue in the Applera.

I said MJ. I apologize for that. It's just a different name for it. And that if the premise is that droplets is nothing because they copied, and copied, and copied Quake and Professor Ismagilov did nothing, then maybe this has some force. But to use things that are in very closely related fields, in very similar products, about analysis of DNA in, you know, fluidic systems, whether they be PCR, in thermocycler, or in droplet PCR, or used for other applications, they're very similar fields.

Their knowledge about them, there's 18 paragraphs of analysis of the Caliper license. It's far in excess of the thousands of cases that have been going in

time memorial about comparable licenses.

He goes through. He looks at -- these are essentially the features that they're saying need to be accounted for. Surfactant chemistry is ironic. You may recall the whole concept of using a fluorinated surfactant as part of the inventive idea of the Chicago patents.

That's our basic idea. They take it and then put a .02 percent whatever in or do whatever little bell or whistle, and now they want credit for surfactant that we should get less than. Our range is this eight-to-15-percent royalty. This is not an example of like -- the one case that they cite is that Csiro case where someone took a $2 to $200 range and then boiled it down to $1 to $2.

It's okay. That's just a dramatic difference, that it stuns the common sense. That's really what the standard should be. It's just the kind of thing that's offensive that someone would say that we're comparable for what we sell to the PCR invention and the Caliper inventions, and we think the Chicago portfolio of droplet patents that cover a variety of different features, that that's comparable.

Is that worth a jury decision or not? That's really the question you're being asked when you boil off a lot of rhetoric. A lot of rhetoric.

These are the different issues that they raised.

Bar codes, integration with downstream sequences, software. And if you look through the RainDance microdroplet, that's the addition for the PCR patent that went to the -- for the Caliper license is one of the things that RainDance that they had Chicago patents at the time. This is the forefather of Bio-Rad.

We had droplets. So I mean whatever they're claiming for gel beads, I don't think anyone is saying they are. They may argue it, but gel beads is a bigger invention than droplets. The whole concept of reactive reactions in droplets, we're not saying we invented the first droplet. It's the inventions that we have, but it's all foundational. No one was doing it until we came up with it in any meaningful way.

And then surfactant chemistry, the exact same thing that they're claiming. So RainDance said, We have surfactant chemistry out of the Chicago portfolio. That's relative to the Caliper license.

RainDance integrates upstream and downstream work flows, integration with downstream sequencing. Software. I mean, sample software interface permits intuitive operation.

So the RainDance product had all these other attributes that had to be taken into account of the Caliper license that made it an eight to 15, you know, whatever that

02:15:11 particular license was. And so what does someone have to
02:15:16 do? You have to get a Ph.D. software person to come in and
02:15:19 say, Okay, the RainDance software is the same or better
02:15:24 than, you know, the current 10X software, and we're going to
02:15:30 value that and put numbers on it, and you stack up every
02:15:34 single feature of the thing.
02:15:35 Nobody's going to do that. There's a false
02:15:38 standard that's being created. Basically, the question is:
02:15:40 Are these licenses comparable? We believe droplets is a
02:15:43 major invention. We think the evidence is going to show
02:15:46 that. We think an eight-to-15 percent, you know, range of
02:15:50 royalty is not something I was thrilled at seeing compared
02:15:54 to what I think the innovation is. The $85 million that was
02:15:58 paid for, you know, for the company to get the patent
02:16:02 portfolio. These aren't junk patents. And in this narrow
02:16:09 area when you pull up the lens and all of these kind of
02:16:14 analytical tools for DNA, to say that eight-to-15 percent
02:16:20 range royalty is a reasonable range, it just is. And I plan
02:16:24 on establishing that with Your Honor's, you know, resolution
02:16:29 of this motion, and what we believe is the correct way.
02:16:32 So none of that, you know, stuns the conscience.
02:16:37 Mr. Powers didn't want to argue about details. Like these
02:16:40 details, what are they exactly saying the difference is?
02:16:43 Software is software. Integration integration. Droplets
02:16:48 are an innovation that RainDance brought to the Caliper

negotiating table. It's not perfect, but it's a related thing.

So I'm not going to go through every single one, but when you look at these here to the Applera, 18-paragraph analysis, discusses the unlicensed features, the patentability software, computers. There's other features in there. The buffer. The polymerase.

So the question is: Is this a showing that is so poor on the merits because this methodological argument has no weight? I'm sorry. So poor that it doesn't deserve to go to the jury, that we should go to the jury with no theory at all after we have pages of analysis on each one of these licenses that far exceeds the standard of what's going on in courtrooms around America for the last ten years in this field and far exceeds the benchmark that intelligent commentators in round tables are setting forth. Not just Mr. Powers, but the others at that table.

And I think the answer is we're being -- there's this momentum towards this ridiculously high standard for what would have to be sufficient for a jury to determine whether these are comparable licenses or not. And I think I don't need to go on beyond that. It's a relatively short argument.

But if there's any questions you have, this is very important to us in and our client, obviously. And I

know you know that, but I would be remiss if I didn't say it.

THE COURT: All right. I think I've got your position.

MR. REINES: I think that's it, Your Honor. I think that's the gist of the point.

THE COURT: All right.

MR. REINES: Thanks.

THE COURT: Hold on a moment here. Yes, Mr. Powers, presumably you will be brief as Mr. Reines was brief.

MR. POWERS: I will, Your Honor. Just a few points. Is now okay to start or do you still want to wait?

THE COURT: No, I'm ready.

MR. POWERS: First, the methodological challenge, Bio-Rad says it just falls away. No, it doesn't. The methodological challenge asks whether the methodology chosen by this expert is one that is generally accepted or used in the field. And we asked for a case that said this idea, that you're going to eyeball three other licenses and say, Well, without doing a quantitative analysis, I'm going to assume that the ratios there are the same; and therefore, I can use exactly the same rate. That methodology has been approved by nobody.

And the judge that they just cited out was Judge

Hilton, presumably the Oriosa case that they cited, and I've read both her Daubert ruling and her Rule 50 ruling -- and I can hand them up, Your Honor -- but let me summarize what they say because they do not in any way bless this methodology.

The Daubert ruling -- there were two challenges. There were two, well, there's a challenge to Mr. Malackowski in that case, and one of them was the same challenge here that he just looked at the licenses and assumed the same apportionment. And the response to that was, Well, there may not need to be apportionment at all.

This was the plaintiff's argument, because we think the patent covers the entire product. And if it covers the entire product, you don't have to apportion it. And Judge Hilston's ruling did not clearly, under no theory, bless the approach by Mr. Malackowski on this question. She didn't rule on it. She said there's a dispute of fact on whether you need to apportion it at all, so I'm going to wait until the evidence comes in and see what it says.

And from her ruling, this is Exhibit AA at Page 5, and I'm happy to hand it up if you want it, but the holding is not ambiguous. Because at the very least, it is disputed whether there are unpatented features requiring apportionment. The Court declines to exclude Malackowski's reasonable royalty opinion at this stage; however, the Court

may revisit this issue if evidence at trial shows the Harmony test includes unpatented features for which apportionment is required.

THE COURT: So you're now reading the Daubert ruling?

MR. POWERS: I'm reading the Daubert. She did not bless this approach. I'm going to wait and see what happens at trial because it may not be apportionment at all, which was their primary argument.

And so the assertion that at Daubert, Judge Hilton blessed this approach is just untrue. Then -- and if Your Honor wants a copy of it, I've got copies of it. But that was --

THE COURT: Well, Exhibit AA, you filed that; right?

MR. POWERS: Yes.

THE COURT: I'm trying to recall, I was looking at some Exhibit AA in the last two days, and I think it must have been this. And I think when I found it, I was less than certain why I was looking for it in the first place.

MR. POWERS: I could hand it up to you if Your Honor would like.

THE COURT: Sure. Sure. Might as well hand up the other one while you're at it, if you've got another one.

MR. POWERS: Okay.

02:22:56 THE COURT: All right.

02:22:56 MR. POWERS: On the Rule 50 motion, what happened, of course, they went to trial, and then the same issues were raised on the Rule 50 motion. And her ruling on that issue starts on Page 31.

02:23:10 THE COURT: I certainly didn't look at this.

02:23:13 MR. POWERS: I don't think this was submitted. I'm not -- I don't believe it was. And I'm not entirely sure the other one was, but I think so.

02:23:22 So her ruling starts at Page 31, and it covers about two pages total. And, obviously, Your Honor can read it for yourself, but the summary is what -- this is now coming after the jury has come back with a verdict. So it's not ruling on the propriety of Mr. Malackowski's methodology. What she says is, Well, the jury, obviously, did some apportioning because they came back with only 25 percent of what the plaintiff wanted. And the law says I must give a lot of deference to jury verdicts, and that's what I'm going to do.

02:24:01 So that was her ruling, and it's quite clear from the language she chose that that's what she was doing. And there was certainly nothing in her ruling which in any way blessed at all the methodology that Mr. Malackowski used there and tries to use here.

02:24:19 And the other cases that they've cited are

merely cases that talk about it's okay to use some qualitative information. There's no doubt that's true. That's been true for a while. The issue isn't that.

The issue is whether a wholly qualitative approach -- there's two issues. One is whether a wholly qualitative approach with no quantitative assessment of the value contributed by the unlicensed components -- because that's what apportionment -- let's just step back. Apportionment requires them to make certain that they're not asking for a royalty on value that we contributed, or we licensed from Harvard.

So they have to eight account for that. And they didn't attempt to account for that in the normal way. They just didn't.

And so now the way -- and the way that Malackowski in his supplemental report attempts to justify it is with this totally untested, unapproved theory that says, If I meet this equation, it's okay. I don't have to do an actual analysis of a normal apportionment analysis. I can just rely on --

THE COURT: You seem to be repeating yourself.

MR. POWERS: I just want to reset the issue, but I'll move on. So the methodological issue is plain, clear, and real. There is no case to defend this.

The second point I want to address is toward the

02:25:37 end of the argument, Bio-Rad argued, Well, the range is
02:25:40 really eight to 15. That's reasonable.
02:25:42 No. No. No. That's not right. For the three
02:25:45 licenses we're talking about, there's no range. They say
02:25:49 it's 15.
02:25:53 And so that opinion that those three licenses
02:25:55 because they were 15 supports this license of 15, that's a
02:25:59 stand-alone opinion. And that's the opinion they want to
02:26:02 put to trial. It's not a range of eight to 15. That's the
02:26:05 opinion we're challenging first.
02:26:06 And so when Mr. Reines was implicitly backing
02:26:11 off from it saying, Well, the range is eight to 15, that
02:26:13 sounds pretty reasonable. No. No. No. No. It is 15 for
02:26:17 those three licenses. Where the eight comes in is on
02:26:20 Chicago, and we have separately asked to strike that for the
02:26:23 lack of apportionment for different grounds. Because the
02:26:29 Chicago license does include the patents-in-suit, so it's
02:26:32 actually quite different from the other three. It's a
02:26:35 different licensee, but it's a totally different category.
02:26:39 The apportionment issues on Chicago are more
02:26:41 straight forward, and there's two of them. One is the
02:26:44 Chicago license covers a whole lot more patents than just
02:26:48 the patents-in-suit. And so you have to apportion that.
02:26:52 We're not getting that whole value, so that
02:26:56 doesn't go in our numerator. But it went into the RainDance

02:27:00 numerator. And so if you're comparing those, you've got to
02:27:04 apportion the value of the patents-in-suit versus all of the
02:27:09 others, Ismagilov patents that were licensed to RainDance.
02:27:13 He doesn't do that.
02:27:14 The second thing he doesn't do is do a straight
02:27:17 forward -- doesn't even attempt to do it in this case, a
02:27:20 straight-forward apportionment analysis that says -- So
02:27:24 let's be clear. He's not relying on the same theory for
02:27:28 Chicago. He doesn't say the ratios is the same.
02:27:32 THE COURT: So Mr. Powers, I'm correct in
02:27:35 thinking that we didn't talk about Chicago at all in your
02:27:38 opening point; right?
02:27:40 MR. POWERS: We didn't. It's in the brief.
02:27:41 THE COURT: Right, but I was thinking this is a
02:27:45 more traditional thing where you make your argument. He
02:27:48 makes a response. You respond to his response. You don't
02:27:51 keep going on to new and different things.
02:27:53 MR. POWERS: I'm responding to the eight.
02:27:55 THE COURT: Okay. All right. Well, I don't
02:27:57 need to hear anymore about that.
02:27:58 Is there anything else you want to say?
02:28:00 MR. POWERS: Let's see. Only three very quick
02:28:09 things.
02:28:09 THE COURT: Okay.
02:28:10 MR. POWERS: One is I refer you to the Csiro

opinion where the judge there struck Mr. Malackowski's report or he didn't strike --

THE COURT: C-S-I-R-O?

MR. POWERS: C-S-I-R-O.

THE COURT: No. No. Everybody pronounces these things differently. And, yeah, and there's enough odd names going around. So that when you pronounce it differently than your opponent, it makes me wonder: Are we talking about another one? But in any event --

MR. POWERS: The pronunciation is subtle. And that's an opinion that -- it was a bench trial in that case, and the judge expressly declined to follow Mr. Malackowski's reasoning because it was -- it wasn't the same theory as this. So it wasn't blessing or rejecting this theory. This theory is not really been addressed by anybody substantively.

But he rejected Mr. Malackowski's approach because it was wholly qualitative, and that goes back to the point of: Is qualitative okay? Of course, some qualitative analysis or inputs are okay, but the lesson of the law is you can't be wholly qualitative because you have to account for the value in some meaningful way. It doesn't have to be to three decimal points, but it has to be in a meaningful way.

But my earlier point is the key one on this

which is he's chosen a methodology that's totally unique, that is wholly quantitative. The ratio has to be greater than or equal to that is quantitative, and he doesn't do it.

The second point is when Mr. Reines was talking and was going on and on about how the value of this Ismagilov is huge because he is the first guy to do reactions in droplets. And then he said something very interesting which was, Well, if they can say that Ismagilov copied reaction and copies from Quake, then I guess that argument has force.

Well, that goes to the argument we're going to have in about 20 minutes because that is the argument that he's copying huge chunks from Quake, and therefore, that affects the value of the numerator substantially. The reality is that Ismagilov was not the first person to invent the concept of reactions in droplets. Quake did that unambiguously. And Ismagilov copied half of his projectional application from Quake.

THE COURT: All right. Your second argument, now you're not responding. Now, you're going and you're skipping to the next one.

Do you actually have some point to make here, or are you just wasting my time?

MR. POWERS: My point is responding to his point about Ismagilov having value, and by pointing out that we do

say he copied it, and therefore, it doesn't.

The third and last point is he points to two or three things in the Caliper license. It says, Well, Caliper had surfactants. Caliper had software; therefore, the value must be the same. Of course, that doesn't mean that. The Caliper software could have been terrible, and our software could be great. That happens to be true. Just saying they both have software doesn't mean the denominator value is the same.

THE COURT: This is, in my opinion, a proper response. So keep going.

MR. POWERS: And that was it.

THE COURT: Okay. Well, thank you. All right. So I will take that under advisement. Actually, I'm sorry. I do have a question, which is this: Let's assume that I let the plaintiff do what they're going to do or what they want to do, is there any prejudice other than the normal prejudice found when things are reversed on appeal that the defendant is going to suffer?

MR. POWERS: I think the prejudice that we'd suffer has already been suffered, so I can't say there's going to be further prejudice, other than I think we'll be back here in two-and-a-half years.

THE COURT: Okay. Well, I appreciate that answer.

02:32:32 All right. So I have a limited amount of time
02:32:42 today. I don't know if Mr. Cottrell is going to
02:32:49 Philadelphia tonight.
02:32:50 MR. COTTRELL: I know it's tonight. We have a
02:32:51 van. I'm not sure I can make it tonight.
02:32:53 THE COURT: Well, I figure you might have
02:32:55 business. I don't know, maybe Mr. Farnan's going. He
02:32:57 usually makes time for these kinds of things.
02:33:00 MR. FARNAN: I am planning on going, Your Honor.
02:33:02 THE COURT: All right. Well, in any event, I'm
02:33:04 going. So why don't we take a short break, and then we'll
02:33:09 come back and deal with these issues that were being raised
02:33:12 this morning.
02:33:13 Okay?
02:33:15 MR. REINES: Thank you.
02:33:15 THE COURT: So by short break, I mean ten
02:33:17 minutes.
02:33:18 THE CLERK: All rise.
02:55:47 (A brief recess was taken.)
02:55:48 THE CLERK: All rise.
02:55:55 THE COURT: All right, please be seated. All
02:56:02 right. So just on what we were just arguing about, damages,
02:56:08 we're going to put something in writing. My expectation
02:56:15 based on what I've heard and what I've read is that we are
02:56:26 going to deny the defendant's motion but I say expectation

because you do have to write these things up. And but just in terms of your preparations, we'll get you something tomorrow at some point. But certainly you should go on the principle that plaintiff is going to be able to present Mr. Malackowski to do this unless and until you hear otherwise.

Okay?

All right. So we had these other things that have come up this morning, and so I did look very quickly. And I thank Mr. Cottrell for the citation. I don't consider what I said at discovery dispute to be any kind of ruling on whether or not the copying aspect. The copying aspect of Quake provisional application is a relevant issue to anything. Maybe it is, but I certainly haven't decided that yet. So I thought why don't we start off by -- since that seems to be the main issue, why don't we start off by talking about that.

And I guess what I'm curious about, and maybe it was said this morning, but I just didn't get it is exactly what the theory as to why was in the provisional application is relevant to anything. And I say that because as I understand it, the defendant's prior art, which is Quake and this, that or the other thing, there is undisputed that those things are prior art; right?

MR. REINES: Yes, Your Honor, it's not

02:56:20 contested.

02:56:22 THE COURT: So there is no particular reason why
02:56:30 the provisional applications seems to be relevant for prior
02:56:35 art purposes that in terms of Quake being, you know,
02:56:47 compelling prior art for whatever provisions, for whatever
02:56:51 purposes the defendant wants to use it seems to me Quake the
02:56:58 sixteen pages if that's what it is that copied the
02:57:01 provisional application, they say whatever it is they say,
02:57:05 those sixteen pages, and you, of course, will be able to put
02:57:11 those sixteen pages up against the claim that's construed
02:57:14 and say look, here is disclosure of hundred percent, I guess
02:57:19 since you're talking obviousness, not a hundred percent, but
02:57:23 something less than a hundred percent and here is the
02:57:26 complimentary reference that fills in the blank or the gap.
02:57:30 I don't see what the purpose -- and to the
02:57:35 extent that defendant would say, which I think they have
02:57:39 said, and I don't actually understand this, but to say well,
02:57:44 the Patent Office didn't understand the first time around
02:57:49 that there were sixteen pages of Quake copied into the
02:57:58 provisional application, even though we concede they had
02:58:02 Quake and they had the provisional application in their
02:58:05 file, so somehow or another this is a relevant fact to
02:58:10 whether or not we -- this invokes the Federal Circuit's oft
02:58:19 stated principle that prior art that was before the Patent
02:58:24 Office is less compelling for obviousness than prior art

02:58:28 that was not.

02:58:29 MR. POWERS: We're not making that argument.
02:58:30 We're not making the argument that because Ismagilov copied
02:58:35 Quake, that somehow tainted the patent office's initial
02:58:38 review of Quake.

02:58:39 THE COURT: So what are you making?

02:58:43 MR. POWERS: There are several. One is with
02:58:45 regard to prior art, Your Honor is correct that the
02:58:49 references we have selected down for trial don't depend on
02:58:53 the provision of the prior art regardless. But that's not a
02:58:58 complete answer and not even a half complete answer. There
02:59:02 was prior art that we had that would have been prior art but
02:59:06 for the provisional like the Thorsen thesis which is trial,
02:59:11 Defendants' Exhibit 293, DTX-293, which we asserted this
02:59:16 prior art.

02:59:17 They took the position in interrogatories and in
02:59:19 their expert report that the patents were entitled to, at
02:59:23 least four of them were entitled to the priority date of the
02:59:27 provision. They took that position and squarely in
02:59:31 interrogatory answers and in their expert report. We
02:59:35 dropped the Thorsen reference because the debate then would
02:59:38 have been whether that provisional supported those claims.
02:59:42 And now we're being told that that provisional which was the
02:59:45 basis for us dropping the prior art references is no longer
02:59:50 relevant just because we've been subjected to the got you

that we have dropped the prior art references based on their position. That it seems to me is completely inequitable.

THE COURT: But the thing that is is that is when you drop prior art and it turns an issue into a nonissue, we don't say well, let's give the jury the nonissue anyhow.

MR. POWERS: It would have been an issue. If they're no longer relying on that provision, which they are, the reality is their expert's report still says that that provision is the reduction to practice.

THE COURT: Right. But given the prior art that you're asserting, it makes no difference.

MR. POWERS: Well, I'll get to that in a minute, but my point is we would have asserted other art, but we dropped it because the provisional was relevant, and now it's totally unfair to us to say well, because we assert -- we took -- Bio-Rad took this position that the revision was the reduction to practice date and the priority date, they took that position, we then relied on that, that made that relevant. We relied on that by dropping references that we otherwise would have kept because they're very, very good, and now to say to us that it's no longer relevant because even though it's obviously relevant to other things because we have now dropped the reference, that seems very unfair.

THE COURT: So what other things is it relevant

to?

MR. POWERS: Invalidity and damages. It's relevant to two issues of invalidity. One is the Graham factors, which is the second argument and the most important is what are the differences between the prior art and the claimed invention. And the idea that it's not relevant to that question that the named inventor copied parts of another person's work saying this is my invention that that's not relevant to the differences, I can't even believe we're having the argument. It shows directly that he did not invent that material.

THE COURT: But you have that material, it's undisputed it came first. They're not going to say he invented those sixteen pages.

MR. POWERS: They're going to say he invented aspects that are covered in those sixteen pages, and how better to show that's not true --

THE COURT: Than to have the sixteen pages that you have; right?

MR. POWERS: To show the identity of what was copied. The point is it goes directly to his credibility, too. Here is a guy who signed an oath that said I invented all of this. This is what I invented. And sixteen out of thirty-four pages he copied from someone else. That goes directly to his credibility. We ought to be allowed to

challenge that.

THE COURT: Do I have the provisional application?

MR. POWERS: I have a copy with the portions that are highlighted that are copied, if you would like.

THE COURT: Okay. That would be a good thing.

MR. POWERS: This is DTX-386. And there is many portions that are copied. I would direct Your Honor to --

THE COURT: Hold on.

MR. POWERS: He's got two, one for your clerk.

THE COURT: No, that's all right. And I guess do you happen to have lying around -- well, actually let me look at this for a moment.

MR. POWERS: I would direct Your Honor's attention starting on page seven. By seven in this case, I mean the actual number of seven of the document, it's 12 at the bottom of the production number. That starts the first major chunk.

THE COURT: Page 12.

MR. POWERS: Page 12 on the bottom right, page 7 in the original document, on the left-hand side.

THE COURT: Right. I'm just reading the numbers at the bottom. But I have found them.

MR. POWERS: So you see in yellow the portions that are identical, and what happened in many of these cases

is that Ismagilov copied Quake identically, but then replaced some words. So for example he replaced channel with port or port with channel. He replaced droplet with plug, so Quake would say droplet, and Ismagilov would change that to plug. You see over on then page 10 in the original document, page 11 and 12.

THE COURT: But I take it when the patent application was actually filed for the thing that became the patent, all this language was gone or rewritten or something.

MR. POWERS: No, no, chunks of it are still there for sure. There is less of it. They did go back and rewrite it some. But that, it goes even further to credibility. That means they knew they copied it and decided to change more or some of it.

THE COURT: You have to figure they knew they copied it because somebody wrote this.

MR. POWERS: Well, somebody knew. And presumably Dr. Ismagilov knew. I don't know whether the patent attorney knew. There has been no discovery on this question.

If you go to page 21 to 33, that's another huge chunk of copying, which we see it's almost the entire page where they'll just change a word here and there to make it more consistent with the wording they're using in Ismagilov,

they'll change substrate to something else, they'll change droplet to plug. So the amount of copying and the place of the copying in terms of the descriptions of the preferred embodiments so --

THE COURT: So Mr. Powers, I presume somebody on your side deposed Dr. Rustem Ismagilov?

MR. POWERS: This was not discovered before his deposition so there is no questioning of him on this issue. This was discovered by running a program against the documents and learning it that way. So the first point is that this issue caused us to drop prior art.

THE COURT: I got that point.

MR. POWERS: The second point is it relates directly to Graham factor 2, differences between the prior art and the invention and the patents.

The other point is, of course, underlying that, a person of ordinary skill in the art is presumed by law to be aware of all the prior art and all the issues in this prior art.

THE COURT: True.

MR. POWERS: So the person of ordinary skill in the art would know this was copied. So for the jury not to know what the person of ordinary skill in the art knows would be completely improper.

THE COURT: So I don't actually understand that.

03:07:14 The obviousness analysis is not, I think, is not is the
03:07:20 provisional application obvious, are the claims obvious;
03:07:24 right?
03:07:25 MR. POWERS: That's true. But are the claims
03:07:28 obvious against the portions of the specification in Quake
03:07:35 that were copied by Ismagilov, so the syllogism if you will,
03:07:40 the logical syllogism is they're claiming priority for the
03:07:45 claims at issue, the ones that we're weighing for
03:07:48 obviousness, to the provisional saying the provisional is
03:07:51 the one that supports this.
03:07:52 We ought to be able to say if the language in
03:07:54 the provisional totally supports those claims and discloses
03:07:59 those claims, then the very same language in Quake supports
03:08:04 and discloses those claims. That syllogism is lost if the
03:08:08 point of copying or identicallity is taken away. Just
03:08:13 showing them the language in Quake requires this jury then
03:08:17 to sit down and make the comparison and try to decide what
03:08:21 that language in Quake means versus those claims and they
03:08:25 have to do that with other things.
03:08:26 THE COURT: They have to do that with the
03:08:28 traditional things.
03:08:29 MR. POWERS: Of course.
03:08:31 THE COURT: Your expert helping them through and
03:08:33 who knows what else.
03:08:34 MR. POWERS: I'm not saying otherwise and I'm

not saying that's not appropriate for them to do. I mean, I am saying it's different and more powerful and highly relevant argument to say that if Bio-Rad or in this case Ismagilov took the position, Bio-Rad in interrogatory answers and in its expert report has taken this position, that if they're taking the position that that language in the provisional supports, discloses those claims, the ones at issue, then there is no way that identical language in Quake couldn't. And that syllogism is a powerful, important and highly relevant soliloquy and different from just showing them Quake.

THE COURT: I guess the other thing, and maybe I should be listening to you more than I am flipping through these pages here, but presumably -- I guess what's the thing to be concerned about is the connection between, I don't know if this is the right word, but the specification of the provisional and the claims of the provisional which I take it those are not highlighted in yellow are different than the claims in the patent.

MR. POWERS: I'm sure they are different in some ways, but --

THE COURT: So just because the specification is, let's say copied, that doesn't actually mean that the claims are copied. In fact, one would think based on the fact that nothing is highlighted in yellow, they're not

copied. And the claims are what's mostly describe the invention here.

MR. POWERS: That's missing the point of the syllogism. The syllogism goes as follows. Bio-Rad takes the position in this case in interrogatory answers and in experts reports that the specification of the provision is sufficient to enable, describe, et cetera, the claims in the patents-in-suit. So they're directly relying on that language to support these claims, not the claims of the provisional or anything else.

THE COURT: Even if they're directly relying on it, how did that go to whether or not the claims are obvious?

MR. POWERS: If the exact same language is in Quake, there is no logical room at all, zero to argue that the same language that supports those claims it fully discloses those claims in the provisional, doesn't fully disclose and render obvious those claims in Quake.

THE COURT: But then what about the fact that I guess 50 percent of the specification, if you will, in the provisional is not in Quake.

MR. POWERS: That's just other language. My point is that you can't say that the spec doesn't disclose -- does disclose the claims, but the same language doesn't disclose the other. They can argue, certainly that they

03:12:16 think the non-copied language was essential, they're wrong,
03:12:20 but that's just an argument for both sides to make.
03:12:24 THE COURT: But right now, but the thing is the
03:12:27 way the case has shaped up, you know, whether this enables
03:12:37 claims in the ultimate case at issue is not an issue in this
03:12:44 case; right?
03:12:44 MR. POWERS: It certainly is. We're saying that
03:12:46 that's what Quake discloses and that renders obvious the
03:12:50 claims.
03:12:51 THE COURT: But you have an enablement defense.
03:12:53 MR. POWERS: We do have an enablement defense
03:12:56 but that's a different issue, the issue is not enablement,
03:13:00 the issue is does that language in the specification
03:13:02 disclose enough to make the claims obvious or anticipated
03:13:07 and if it does for their purposes in prior art, the same
03:13:11 language in Quake kills it. There is no room for those two
03:13:15 arguments. They have taken that position, those are binding
03:13:19 admissions, and we can use those binding admissions against
03:13:22 them.
03:13:22 THE COURT: I understand what you're saying,
03:13:25 dubious, but let's me -- is there anything else you want to
03:13:29 say about that?
03:13:30 MR. POWERS: Two other things. One is that they
03:13:32 have expressly taken the position, for example, on secondary
03:13:35 considerations of nonobviousness, that particular factors

that they copied from Quake are what makes this special sauce. So, for example, he relies on something called compartmentalized microreactors.

THE COURT: Where is this?

MR. POWERS: That's in the rebuttal report on page 68.

THE COURT: Where is this in the provisional?

MR. POWERS: I don't remember where that is exactly, but we can find it for you. But the point is that for now take it on faith, we'll prove it to you, but take it on faith that the exact language that they're relying on about these compartmentalized microreactors is in Quake and copied verbatim from Quake. So how can you let their expert say this thing that's in the patents about compartmentalized microreactors, that's the secondary considerations of nonobvious when they copied the language from Quake?

THE COURT: If he copied it, can't you ask the expert, here is Quake, let me read you a paragraph, doesn't that say exactly what you just said?

MR. POWERS: I was handed a note to back up the representation that it's in the provisional at page ten.

THE COURT: Okay. Thank you. All right. And so you have two points, Mr. Powers. What was the other one?

MR. POWERS: The secondary considerations and the fact that their expert relied upon this. The last point

03:15:08 is damages. So it's obviously relevant to validity because
03:15:12 it shows the importance of Quake and all the other issues
03:15:15 that I described, but it's also relevant to damages.
03:15:18 On damages the question is what's the degree of
03:15:20 improvement of this over the prior art. And the fact that
03:15:25 his disclosure is copied straightforward from Quake goes
03:15:30 directly to the question to that degree of improvement.
03:15:33 THE COURT: So what are you going to do, say
03:15:35 sixteen pages are the same, sixteen pages are different, so
03:15:39 it's a 50 percent improvement?
03:15:40 MR. POWERS: It's 50 percent different, but 50
03:15:43 percent zero improvement. The rest may be no improvement at
03:15:47 all, but we know 50 percent is no improvement. That's
03:15:50 highly relevant. This jury, it's hard to believe we're
03:15:54 having this argument.
03:15:55 THE COURT: I'm sorry you don't believe it, but
03:15:57 we are.
03:15:57 MR. POWERS: I get that we are, but this jury
03:16:00 should know what the person of ordinary skill in the art
03:16:03 knows, that's the -- they are supposed to make the decision
03:16:06 from that perspective. If we keep information from the jury
03:16:09 of what that person of skill in the art knows, then we are
03:16:12 not constructing -- that jury is not having the information
03:16:15 it should have. And it is directly relevant to validity.
03:16:19 It is directly relevant to damages. And it is really

relevant to Dr. Ismagilov's credibility.

THE COURT: All right. So you say it's relative to his credibility. Let's assume for the sake of argument, I tell you you can't offer this for any of these purposes you've just mentioned, but you can feel free to cross-examine Dr. Ismagilov about whether or not when he was inventing this, he didn't copy half his patent from Quake.

MR. POWERS: As long as I'm permitted then to prove him wrong if he says no, then obviously that solves the credibility problem. Then you've addressed that. But I think it's still obviously relative to damages, but I think I understand Your Honor's point.

THE COURT: I guess maybe I didn't say it correctly because I can see that it may be, or you don't have to agree with me. You don't have to disagree, either, but it seems to me that it may or may not be relevant to Dr. Ismagilov's credibility. I mean, it seems like a dishonest kind of thing, so it seems like the kind of thing one could logically inquire about on cross-examination. But I -- and for that purpose, it seems to me, without having heard from Mr. Reines, you have a much better argument than you do for these other things, which seem to be wanting to -- you know, seem to be of little probative value for the things that you're saying you ought to look for, but seem to be extremely prejudicial and unfairly misleading because, you

know, they're going to hear this complex testimony about obviousness and everything else and, you know, you're going to simplify it by saying, Look, 50 percent of it is copied. Ha. You know, Pa, and that will be the end of your argument.

And that seems like, you know, for those points, that seems like an unfair argument and not one that gets us to a sideshow. For all I know -- well, actually I expect you don't have this, but you know, I think it may look a lot worse. I mean, it's just hard to say. I don't know.

But in any event, I think I've got what you say. Let me hear from Mr. Reines.

MR. REINES: Thank you, Your Honor. There's really -- I break this into three issues. Let's start with the issue of credibility or impeaching Dr. Ismagilov for being a plagiarist essentially. The Court's reaction that this is probably improper, or may be improper, or someone can infer it's improper is the source of our concern on that issue. So let me just address that narrow issue. And that is, there's no inequitable conduct allegation.

THE COURT: No, I understand that.

MR. REINES: There's no rule that says you shouldn't do it. In fact, if you think of common patent prosecution where you copy things for interference when it's the same exact claim, you get a claim that's exactly someone

else's claim. You actually literally copy it verbatim in that case.

THE COURT: Yeah, but you're doing that not in secret.

MR. REINES: But if they're both -- Quake was before the Patent Office, so they're not secret.

THE COURT: Well --

MR. REINES: And then --

THE COURT: You know, there's the law and there's reality, but go ahead.

MR. REINES: Thank you.

THE COURT: But so just on terms of credibility, what's your point on that?

MR. REINES: The main point on credibility, there may be an inference that someone has of wrongdoing, but there is no wrongdoing because, A, there's no rule that's been broken. And B --

THE COURT: Right. But you're going to call Dr. Ismagilov for some reason. I assume he's going to do something more than come in, smile at the jury, say hi, I'm Dr. Ismagilov. This is my patent, I hope you don't invalidate it. Thank you very much. Cross-examination.

I mean, you're going to use it to tell the story, and you know, set the foundation for whatever it is your people are going to say about the importance of this

patent. I mean, you're calling him for a reason, right, not just to fill time, because you don't have that much time. And so, if you're doing that for that, isn't it fair for them to test whether or not he's an honest man or not?

MR. REINES: Not at all, and the reason is because, one, there's no rule violation. There's no allegation that it's wrong wrongdoing. There's treatises that says it's inappropriate. That's first of all.

THE COURT: Do I know about those treatises.

MR. REINES: We can get you it, but it wasn't. This was an issue -- I really want to get to one point, but this was an issue in the discovery hearing where you held that the patent prosecution analysis about this copying was all irrelevant.

THE COURT: I did say --

MR. REINES: Irrelevant.

THE COURT: I think I might have said irrelevant. What I think I said, I'm certainly not going to have experts in here talking about it, and I'm not treating that in terms of -- what I think was an issue was, you know, this thing about whether it's before the Patent Office or not, I think is irrelevant.

MR. REINES: So to me, the key thing is, and as Mr. Powers is bewildered by this argument -- I guess I join him in sharing in that -- which is the Patent Office was

told that there was this common subject matter and was told that that was the basis for all the arguments that Mr. Powers is making and rejected them.

THE COURT: Right. Right. You're now talking about what happened --

MR. REINES: In the re-exam.

THE COURT: -- like last year. This year even.

MR. REINES: Right. And the point being how could it be a fair process to imply that he did something wrong to the Patent Office by secretly copying or whatever that inference was, and not allow the fact that the Patent Office was alerted to exactly such claim by 10X, and nevertheless, found no wrongdoing?

THE COURT: All they were asked to do was to determine whether or not or actually -- so I'm -- maybe I'm now an ex parte re-exam. What are the limits of what can happen?

MR. REINES: The challenger can put in the initial document which states the basis and all that, and then there's a determination of essentially institution -- substantially new question of patentability, and then becomes an ex parte process.

THE COURT: Right. But what I'm asking is: In terms of what was the argument as to why --

MR. REINES: It's the same.

03:26:43 THE COURT: -- the re-exam, 16 paragraphs of
03:26:45 copying from Quake made any difference?
03:26:47 MR. REINES: For this, that it's obvious and the
03:26:51 heading is of citation of prior art.
03:26:54 THE COURT: Well, and I'm sorry, Mr. Reines,
03:27:04 right. So that has nothing to do with credibility. That
03:27:07 has to do with, I think, where Mr. Powers started that
03:27:16 somehow or another copying language in a provisional
03:27:19 application is relevant to whether the claims are obvious or
03:27:25 not, and you know, doesn't really seem to be that they are.
03:27:31 That doesn't mean -- and maybe Mr. Walter has gotten you
03:27:35 something on this, but that doesn't necessarily mean that
03:27:40 taking some other patent application or taking some other
03:27:44 thing and copying 16 pages of it and changing words here or
03:27:51 there, you know, that's an honest or dishonest thing.
03:27:56 That's a different issue.
03:27:57 MR. REINES: And what I'm saying is in terms of
03:27:59 rehabilitation, it seems to me to be a straight-forward
03:28:03 thing. If the slur is made, aren't you bad because you
03:28:06 copied this common subject matter, which is what we're
03:28:10 talking about. That to say: Wasn't that presented to the
03:28:14 Patent Office to consider Quake? And they didn't find that
03:28:17 there was anything wrong. There was no --
03:28:19 THE COURT: Yeah. So you're really right to the
03:28:22 -- here's the --

03:28:24 MR. REINES: That doesn't make sense. I don't
03:28:25 have anything to add. I mean, basically the point is if the
03:28:30 Patent Office considered it, considered the argument and was
03:28:31 happy issuing the patent for happily ever after, that is
03:28:35 legitimate rehabilitation to a reasonable factfinder of the
03:28:39 slur, that: Did he just steal the invention from Quake by
03:28:43 copying? That's my belief.
03:28:44 You know, if you don't share that, I respect you
03:28:46 so much. That's that. You know, it's just: Would that be
03:28:49 rehabilitation? If someone says didn't you copy Quake?
03:28:53 Isn't this really Quake's invention, not yours, because you
03:28:55 put it in yours? Aren't you a bad guy?
03:28:57 And if you can say -- and didn't 10X make those
03:29:00 arguments to the Patent Office, and the Patent Office said,
03:29:04 No, Professor Ismagilov, you still have a patent because we
03:29:07 still think you meet the standards for patentability and no
03:29:10 comment about that there's any impropriety.
03:29:13 THE COURT: How does that not --
03:29:15 MR. REINES: So any way, I don't want to beat it
03:29:18 too hard.
03:29:19 THE COURT: You know, I guess what it is is the
03:29:24 Patent Office, the re-exam, their job is not to assess Dr.
03:29:34 Ismagilov's credibility. Their job is to decide whether or
03:29:38 not the patent is obvious.
03:29:40 Right?

03:29:41 MR. REINES: I'm sure they have duties, if they
03:29:44 found misconduct, to report it within the Patent Office.
03:29:49 So, no, I don't agree with that.
03:29:50 And more to the point, on the question of if
03:29:55 there's any suggestion that the common subject matter, and
03:29:59 they want to give the documents to the jury to cart around
03:30:04 for a week, if there's any suggestion --
03:30:05 THE COURT: I'm sorry, Mr. Reines, that I keep
03:30:07 interrupting.
03:30:08 MR. REINES: That's okay.
03:30:08 THE COURT: When you say "the common subject
03:30:10 matter," you're talking about these 16 pages of -- I'm just
03:30:15 not a hundred percent clear what you're talking about.
03:30:18 MR. REINES: I'm talking about subject matter.
03:30:19 I'm using the words instead of copying because I don't know
03:30:22 if they got some of it from some third source or something
03:30:25 like that.
03:30:25 THE COURT: So when you say common subject
03:30:27 matter, you mean the 16 pages that are highlighted in
03:30:30 yellow?
03:30:30 MR. REINES: Yes, and there's edits within them.
03:30:32 I apologize if that was confusing.
03:30:34 THE COURT: You don't need to apologize, but I
03:30:36 did not fully -- I mean, I didn't understand exactly what
03:30:39 you meant.

03:30:39 MR. REINES: So on credibility, I think I've made the point the best I could. The fact that the Patent Office nevertheless issued it with the copying addresses the credibility question about whether he stole the invention by copying, which is the inference that Your Honor thought might be reasonable.

03:30:55 THE COURT: Well, no, actually more to me is just credibility. In other words --

03:31:10 MR. REINES: You don't think a factfinder would be more likely to find him credible if they found that that allegation was brought to the same Patent Office that initially issued the patent, and said, What you did is fine, when the suggestion is that putting something in in the first place is improper?

03:31:25 THE COURT: And so --

03:31:27 MR. REINES: I don't --

03:31:28 THE COURT: Is that what they actually said? There's a sentence saying --

03:31:33 MR. REINES: No.

03:31:34 THE COURT: -- we know that you copied 16 pages, and that's fine.

03:31:37 MR. REINES: No, they did not.

03:31:39 THE COURT: What did they say?

03:31:40 MR. REINES: They just did just like Your Honor said in the other portion of the analysis, which we haven't

discussed yet, which is this indirect method of establishing obviousness, and appropriate. And is it persuasive and that --

THE COURT: And in the end, they said this is not obvious, so the patent has, you know, lived long?

MR. REINES: They said what the PTAB said. They said what the re-exam unit said, and they said what the original Patent Office said. Quake is not invalidating.

THE COURT: Okay.

MR. REINES: And we should absolutely be able to present the re-exam to explain that part of the story because inevitably the argument is going to be made in some form or another of this commonality, whether it's through jury books or direct attack on the credibility of someone. And I think that if, in fact, the credibility, on the credibility question that this was whether there was impropriety in the patent prosecution, then it wasn't irrelevant to have legal people come in and say, Is this, you know -- then we would have wanted to have the ability to -- I mean, we cross-examined their expert and demonstrated it was appropriate, or used the treatises.

Are we really going to then debate in front of the jury with the treatise, show them to their technical expert or whatever and say, Isn't it appropriate to do that and get into a mini-debate as to whether they're

03:32:59 non-inequitable conduct argument is valid or not?

03:30:06 It is a slur. So the -- it's a slur to imply

03:30:39 that it's -- that he was violating the Patent Office rules.

03:30:43 THE COURT: I don't think you have to go to, you

03:30:51 know -- I don't think the cross-examination, I don't know if

03:30:56 Mr. Powers said exactly what he had in mind, but I take it

03:31:00 the first question is, you know, Dr. Ismagilov, did you

03:31:06 write this provisional application? Did you copy sixteen

03:31:10 pages from Quake into it? I presume his answer is I changed

03:31:16 a few words, but since it was saying the same thing, yes.

03:31:26 And I'm not sure what the third question is.

03:31:33 MR. REINES: So I think on that issue, it's

03:31:36 much -- it's not so simple because there is lawyers involved

03:31:39 and there is patent prosecution involved, and I don't think

03:31:42 it just begins and ends with him just saying yes, I did it.

03:31:46 THE COURT: And maybe he won't, maybe he'll

03:31:48 say -- I mean that's, you know, without having been deposed

03:31:54 on the subject, maybe you know what he'll say, but

03:31:57 Mr. Powers doesn't and I don't. Right?

03:31:59 MR. REINES: Right. So it's a complete

03:32:05 collateral matter that's a slur that would warrant bringing

03:32:09 in evidence that's not relevant to the main questions, and

03:32:12 keeping out the re-exam is unfair in view of that. That's

03:32:18 the persuasion that I have.

03:32:22 THE COURT: So I understand what you're saying

there. What else would you like to say on this subject?

MR. REINES: I want to be concise. On the merits of the obviousness issue, Mr. Powers' syllogism is I think not a correct way that anyone would ever attempt to show obviousness. It's got all kinds of false assumptions in it which is that just because there is some text that common that means that concepts are being taken from one place to the other.

Like I said, three different times the Patent Office found that not to be the case in the face of direct argument on that point. So it's an indirect and collateral way, and what's really intended is what Your Honor said is to have somehow have false revision or quantification of fifty percent or something like that, which we talked about in another context how that could be so false. Or to just slur, I mean, this is hard and unfair prejudice. We know what he wants to do, he wants to make them look dirty on something where no one has ever found it wrong, there is no rule violated, he didn't have inequitable conduct, the Patent Office has taken that argument and rejected it which would go to immateriality. If they wanted to imply there was significant wrongdoing, you would have to say it doesn't matter, the Patent Office has looked at it.

THE COURT: Do the scientific experts that you have on either side, Mr. Powers said something and I forget

exactly what it was, maybe I misunderstood it, did either of them ever comment on whether -- on the sixteen pages?

MR. REINES: Yes.

THE COURT: And what did they say?

MR. REINES: I don't know that I could do a full summation that I would be comfortable with. Do you know, Mr. Walter.

MR. WALTER: Very briefly. Mr. Wang points out that it was copied.

THE COURT: Mr. Wang is?

MR. WALTER: Mr. Wang is their invalidity expert.

MR. POWERS: Dr. Chang.

MR. WALTER: Dr. Chang.

THE COURT: You always call people by their last name. Dr. Chang, yes.

MR. WALTER: It is a mistake we have been making internally within our team.

THE COURT: That's all right. Let's not do that next week.

MR. WALTER: Right. He says it's material to the claims and our expert responds and said no, actually this is fact background.

THE COURT: In terms of, in other words, for lack of a better word, whether there is scientific norms

about what you can do with somebody else's work as opposed to, you know, the merits kind of argument.

MR. WALTER: I don't think there is any testimony. I think there is deposition testimony from Dr. Chang that --

MR. REINES: They may try to work around the deposition testimony, but he didn't say that they did anything wrong.

THE COURT: Okay.

MR. REINES: In prosecution, in pursuing the patent in prosecution.

THE COURT: Okay. All right.

MR. REINES: All right.

THE COURT: So what else do you have to say?

MR. REINES: Nothing on this. And then on Saxston, you probably will be more relieved to know since Mr. Powers did have an opportunity to process that, we're going to work together and see if we can narrow or eliminate that issue without your involvement.

THE COURT: That's ideal.

MR. REINES: I figured that might be.

THE COURT: I guess ideal would be to bring it to a conclusion.

MR. REINES: We hope to.

THE COURT: That is a good start.

03:35:59 MR. REINES: I guess the only other thing that I
03:36:01 didn't fully hit and again I try to be concise is the jury
03:36:06 notebook issue.
03:36:07 THE COURT: That's what I was looking at my list
03:36:09 here. So I think I did actually rule on this. And I don't
03:36:23 know whether this is a sticking point, but for the juror
03:36:25 notebooks, yes, Quake ought to be in it. If the arguments
03:36:30 is they want to put the provisional patent application in
03:36:33 it, no, I don't think that should be in it. Does that take
03:36:37 care of the notebooks issue?
03:36:39 MR. REINES: I mean, we would still maintain the
03:36:41 objection, I mean, for what it's worth, but that -- I don't
03:36:46 know what's going to be permitted, but what's going to be
03:36:51 suggested, we have quasi technical people on the jury, to
03:36:55 have them go through the comparison exercise.
03:36:57 THE COURT: Wait a second. So in the notebooks,
03:37:00 what is the comparison exercise? They have Quake and they
03:37:05 have your patent.
03:37:06 MR. REINES: Right, there is commonality. If
03:37:08 the allegation is being made that there is copying and it's
03:37:11 pernicious, it overemphasizes --
03:37:15 THE COURT: I thought this was limited to
03:37:16 provisional application.
03:37:18 MR. REINES: No, the actual patent has some
03:37:21 common subject matter, it's not the same degree.

03:37:24 THE COURT: So it's one thing for me to possibly
03:37:33 exclude things that I consider to be excludable as either
03:37:41 irrelevant or as so little probative value that the
03:37:47 prejudicial value and the waste of time value is
03:37:50 sufficiently high, which is what I would be doing in terms
03:37:55 of the provisional application. Quake is their lead for
03:37:59 better or for worse prior art reference; right?
03:38:03 MR. REINES: It is the centerpiece of their
03:38:05 prior art which is why the re-examine is so important.
03:38:10 THE COURT: So what I said when we talked about
03:38:12 this before, and I think this is exactly what I'm saying
03:38:15 now, is if you want to put a notebook in front of them with
03:38:19 your patents, they have got counterclaims; right?
03:38:24 MR. POWERS: Yes, Your Honor.
03:38:25 THE COURT: They have got counterclaims where
03:38:27 they're the equivalent of your patent is Quake. So if the
03:38:32 jury gets a juror notebook, they're going to have Quake and
03:38:36 they're going to have your patents plus whatever else you
03:38:40 decide to put in there. I'm not keeping Quake out of the
03:38:44 case because there is some overlap. And just because they
03:38:48 get it, that doesn't -- I mean, they get it. That's going
03:38:56 to come in to evidence.
03:38:59 MR. REINES: All right. So on the jury notebook
03:39:01 question, the argument that we're making, let me be clear
03:39:05 about this, is that the norm is not to have prior art, but

let's just say that's a neutral thing, in the facts of this case where there is inflammatory arguments that are going to be made or want to be made or hinted at or implicit or whatever it is, having the jurors walk around with a notebook with the two things next to them is not wise because it exacerbates a problem area.

That's our request on the jury notebook. And at a minimum because the original argument that the court -- the court didn't address the argument about copying when it kept out the ex parte re-exam in the order the other day, what it focused on is we believe the fictions. We believe the combination is different from what is the Patent Office, we didn't get to reply so we didn't get to make a point.

THE COURT: I'm sorry about that. I looked at the docket. Did I tell you --

MR. REINES: It was oral, I think.

THE COURT: No, I understand there wasn't a written order. Oral orders unfortunately count. Did I tell you that you had within a certain time to respond?

MR. REINES: Yes.

THE COURT: What time did I tell you?

MR. REINES: It was the end of the day Tuesday.

THE COURT: So I ordered slightly before the end of the day Tuesday?

MR. REINES: I talked to Mr. Farnan and I said

what's the wisdom of asking for reconsideration.

THE COURT: I'm sorry, that's part of --

MR. REINES: That's okay.

THE COURT: Well, you know, partly because -- because you were writing letters, right.

MR. REINES: It was letter format.

THE COURT: So normally when I have letters, I only have opening and answering, and so I thought it was through, that's the reason I did it, if I had -- and I'm sure I said exactly what you said, which was yeah, you can reply, even though -- well, like I said, I'm sorry about that.

MR. REINES: I wasn't gratuitously raising that, the point I was going to make is since the grounding of the decision and the argument that seems to have won the day is they actually have an different combination from the ex parte versus what they're arguing at trial, I would at a minimum, the book should have all the kind of other references that were supposedly crucial in the book, too, so it's not walking around with Quake and the patents.

And I guess if the Court is comfortable, we don't need to do this at all, that would resolve it. We're not insisting on the patents being given to the jury. Maybe that's the best solution of all.

THE COURT: That's always a possible solution.

03:41:52 MR. REINES: We would request that. We would
03:41:56 request that. It avoids a touchy issue here.
03:41:59 THE COURT: Okay. Usually it's the parties who
03:42:02 want to give a notebook to the jury. You know, I think it's
03:42:06 a helpful thing, but I never tell people to do a notebook
03:42:11 unless they want to do a notebook.
03:42:12 MR. REINES: So we're withdrawing that.
03:42:14 THE COURT: So if you want to -- I don't know,
03:42:16 is there anything to give them now, my claim construction
03:42:19 order, or do you want to just forego --
03:42:23 MR. REINES: The claim construction order can go
03:42:24 with the jury instructions.
03:42:26 THE COURT: Yes. Actually what I prefer on that
03:42:29 is just have a separate, you know, whoever, I guess that
03:42:35 would be Mr. Reines, would you have your expert say, you
03:42:39 know, here is Joint Exhibit 1, the Judge's claim
03:42:45 construction order, did you consider this, and then it will
03:42:48 be admitted or -- and I will -- and the jury will get it.
03:42:53 But you know, particularly, you know, reading claim
03:42:59 construction orders and jury instructions is just death.
03:43:03 MR. REINES: I meant give it with them. I just
03:43:05 meant as a practical matter, just --
03:43:08 THE COURT: I can give it as a package when we
03:43:12 get there.
03:43:12 MR. REINES: And so the relief that we would

request at a minimum is exclusion of the provisional which is a side show. Second is no insinuation or implication that it's wrongdoing. They don't have an allegation that it is. And it gets into again a collateral matter. And it would justify a hundred percent -- well, I have already argued the ex parte coming in and to keep that out. That's it. I would keep it out in general the argument of copying.

The real answer is to let this re-exam in and let them argue that copying shows obviousness which is what they want to do. If both things are in there, it's fair balanced thing. It's no more complicated to consider the ex parte re-exam concept, they went back, they explained this point, the patent found still nonobvious. It's no more complicated than that with the ninety things that we're doing next week anyway.

THE COURT: Sometimes you have heard the phrase the camel, the straw that breaks the camel's back.

MR. REINES: All right. Thank you, Your Honor.

MR. POWERS: One quick point about the re-exam. The reason for Your Honor's prior ruling remains primacy here which is the confusion that they want to sew is to say that the Patent Office blessed this in light of the allegations of copying. But what the Patent Office actually ruled on was a different combination, so it did not rule on the combination that the jury is going to hear. So that is

intensely confusing and prejudicial to us, so that's the reason I think Your Honor ruled previously and that reason applies with greater force here when they're trying to make the argument that the Patent Office blessed it.

The second point is that they keep saying that the Patent Office blessed this over Quake. It's not a question of Quake. It's a question of Quake plus X or Quake plus Y that's. The obviousness combination.

The Patent Office ruled on that Quake plus X, and that's not at issue in front of this jury. Quake plus Y is, and Quake plus Z, and Quake plus A. And that combination is not ruled on in the re-exam.

Second, I did not hear any real rebuttal as to how this doesn't bear on his credibility. He did something which on its face makes it look like he didn't invent what he claimed to invent. That goes to his credibility we get to. We should be able to test that with him in front of the jury.

And I think it's telling that Mr. Reines, who does know what he'll say, made no proffer about it. He didn't say, Well, he's going to put on an explanation. Here it is.

No, he didn't say that. So we know that the answer is it's not something that looks good.

And that bears on his credibility specifically.

Not just generally, but specifically on the what he invented, and that goes to the heart of any cross-examination of the inventor.

With regard to the experts, I think that raises another point of relevance because it goes to the credibility of their expert. Mr. Reines correctly summarized Dr. Chang's position which says, obviously, this shows the significance of Quake, that he would copy so much of it into his own application. And then he goes on to talk about the substance.

Their expert's response is, Oh, this is just an in general background. And that's how Mr. Reines summarized it, and that's generally accurate.

Well, that goes directly to that witness' credibility because there is no argument that those 16 pages are other than in the background, portions of a preferred embodiment of my invention, and then two pages of description. Not a general background of the prior art. So now we have another witness whose credibility is directly implicated by all of this.

Finally, the argument that the provisional should be kept out is absolutely inconsistent with their positions in the case. Their position in the case is that that patent is entitled to that priority date. If that's provisional, and provisional is the basis for that. So they

have to prove that, and that's the provisional that has to be in evidence for that.

And we should be allowed to test that assertion by them. That, again, goes to the credibility of their expert who took that position. It goes to Bio-Rad's credibility because they took that position in an interrogatory answer, and that's binding.

And they can't now run from all of that. Obviously, fundamentally it goes to Ismagilov's credibility. But putting all of that aside, the sort of bootstrap argument that they're allowed to rely on the provisional up until trial, which causes us to make decisions to drop prior art references that otherwise we would very much like to have used, because if they are relying on it, as they said they did, those references would not be prior art. If they're not relying on it, those references would be prior art.

So now we are severely prejudiced by not being able to rely on prior art references that clearly would be prior art that have very different implications and are very strong. And they should not be allowed to have it both ways. They took the position against prior art that they are entitled to provisional priority date. They're stuck with that.

THE COURT: So Mr. Powers, I ask you this

question. I don't know whether -- it's kind of out of the blue, so you might not know the answer. But in the Pretrial Order, does it say an issue for trial is what the priority date of the patents is?

MR. POWERS: Don't know the answer.

THE COURT: Does somebody?

MR. POWERS: I suspect there is something like that, but I don't know the answer. We'll find out. I haven't memorized it.

MR. REINES: Your Honor, I don't believe that's in there. But on this question, if they thought the provisional was so crucial to bring in, they could have kept the prior, and whether it was adequate --

MR. POWERS: We don't -- the point is we didn't question whether it was adequate to support it. On that issue, we thought they had bettered that argument. So given the fact that they took that position, we relied on that position and dropped the prior art reference. So it's not like we should be faulted for not preserving argument that we didn't think was viable.

THE COURT: No. No. So, no. That's the point. I know everybody in the room knows this is we narrow down the issues. You mostly narrow down the issues as we get to trial. And so I wouldn't normally, and this never comes up, but if the plaintiff said, I'd like to introduce the

provisional application, because even though the priority date is irrelevant to the question of any prior art being prior art, and it's irrelevant to the question of whether or not the asserted claims relate back to -- you know, there's no disputed issue about this, I'd like to introduce it any way. You know, my inclination would be it's irrelevant. It's not an issue in the case. The jury is going to get a thousand exhibits in a week anyhow. Why are we giving them exhibits about irrelevant things?

And so I think I understand what you're saying, Mr. Powers, that you'd really like it in the case. And if you had to assert the prior art that is accurate to do so, you would do so. But I don't know, maybe expecting a different ruling from me or whatever, you chose instead to not argue about the priority date.

And so to me, the plaintiff needs to introduce that, or they can't have a priority date that's not in dispute. I reject that.

MR. POWERS: But it would have been in dispute. My point is it's prejudicial to us.

THE COURT: We can't try the hypothetical case. We have to try the actual case.

MR. POWERS: I'm not talking about the trial. I'm talking about the consequences of taking a binding position and causing reliance on that, and then trying now

to avoid the consequences of that decision.

THE COURT: But --

MR. POWERS: That is what I am talking about.

THE COURT: But they're not actually -- I think their binding position is this is the priority date. They're not backing off of that. This is why we have the priority date. They're not backing off of that. Their position hasn't changed.

MR. POWERS: Their position -- well, if they don't introduce it the provisional, the provisional has to change.

THE COURT: Well, I think it --

MR. POWERS: Well, how is that?

THE COURT: Well, it's not a disputed issue at trial. It's too late to make that a disputed issue. It's agreed as to what the priority date is.

MR. POWERS: Oh, it's not agreed. So in answer to Your Honor's question, Page 256, the Pretrial Order issue number three was priority date. So it's in the Pretrial Order. But --

THE COURT: But when you say it's not agreed, neither side has experts that are going to call and argue about, you know, whether or not the description in the provisional supports a claim it essentially issues.

MR. POWERS: So we should be allowed. I may not

be making myself clear, or you may not be agreeing.

THE COURT: I'm not sure which.

MR. POWERS: But let me try again. I don't disagree with you that where we are now is where we are based on what's happened until now. My point is a prejudice point which ought to prevent them from changing their position. Their position -- you say their position hasn't changed. It has.

THE COURT: Okay. How?

MR. POWERS: They cannot possibly rely on that priority date for the provisional without putting it into evidence. That is their position. They intend to -- they have taken that position and --

THE COURT: See, that's where I disagree. I think their position is the priority date is whatever it is. They didn't in these interrogatories or admissions say, and we admit that this will be Exhibit Number 1 at the trial.

MR. POWERS: They took the position that the priority date was May 2002 based explicitly on the provision.

THE COURT: Right. But that is not the same thing as saying, and therefore, we agree that no matter what, and that will be an exhibit at trial.

MR. POWERS: They didn't say that. But my point is a prejudice point that they should not now -- because the

03:57:04 normal -- so if they had taken that position, and we had
03:57:09 used the prior art, they would have to prove it. And so we
03:57:14 ought to be allowed to use the other prior art that now
03:57:16 makes that a real issue because we compromised on our
03:57:20 position that that was their position. And either they
03:57:24 ought to be forced to put in the provisional and prove it,
03:57:26 and we can say this --
03:57:29 THE COURT: No, but see that's the thing,
03:57:31 Mr. Powers, is they don't have to prove it because it's not
03:57:36 an issue in the trial.
03:57:39 MR. POWERS: And the only reason it's not an
03:57:40 issue in the trial is because we reasonably relied on their
03:57:44 position, and now they're changing that position.
03:57:46 THE COURT: Okay. Well, I don't think we're
03:57:49 making any progress here in terms of understanding each
03:57:52 other, but I'm quite sure that I'm not going to require a
03:58:00 provisional application to be put into evidence for what is
03:58:05 at this point an undisputed priority date. And what's more
03:58:12 is that is essentially irrelevant to the prior art that
03:58:17 you're actually going to introduce.
03:58:20 MR. POWERS: It's not at all irrelevant. It's
03:58:22 relevant to Quake which is a primary reference. It shows
03:58:26 the supports of Quake.
03:58:27 THE COURT: All right. We've spoken enough on
03:58:30 this. All right.

03:58:31 So what do you have to say about the re-exam
03:58:36 certificate where apparently I issued an Order without
03:58:39 waiting for their reply. I guess, you actually have already
03:58:43 addressed that.
03:58:44 MR. POWERS: I've addressed that, and I think
03:58:46 that they've said everything that they've said they would
03:58:48 have said in reply at the original argument. They made all
03:58:52 their original arguments, so I think that issue should
03:58:55 remain the same.
03:58:56 THE COURT: Okay.
03:58:58 MR. REINES: Your Honor, just --
03:58:59 THE COURT: Well, hold on. Are you done?
03:59:01 MR. POWERS: I'm done on the re-exam issue.
03:59:07 THE COURT: Yeah. What other issue is left?
03:59:09 MR. POWERS: So there's a couple of quick minor
03:59:11 ones. You will recall at the last hearing --
03:59:15 THE COURT: Well, actually before you go on to
03:59:17 the new stuff, which I think is what you're doing --
03:59:20 MR. POWERS: Yes.
03:59:20 THE COURT: -- Mr. Reines wants to say something
03:59:22 about the old stuff. So why don't we finish the old stuff
03:59:25 before going on to the new stuff.
03:59:27 MR. REINES: Thank you, Your Honor. There's two
03:59:29 meritless assertions that I want to address. One is that
03:59:33 the distinction between the re-exam and what's going to be

litigated here is the combination. Clearly, the issue, sole issue of the re-exam is to make the point about what Quake teaches because the argument is what Quake teaches.

What we would have -- what we had written up for the reply is if you look at the two different references, they both just teach PCR conditions. The figure is actually identical to the two. We never got an opportunity to make that point.

It's just a --

THE COURT: I'm sorry. Because you're going quicker than I can follow you.

MR. REINES: Sure.

THE COURT: What you're saying is the secondary references, X and Y, you're holding them up to show they're the same?

MR. REINES: Yes --

THE COURT: Okay.

MR. REINES: -- for all intents and purposes. On top of that, the issue for which, under American Hoist we would rely on the re-exam is that its's what Quake teaches that's the issue. It's not -- it's clear that that's the issue.

So the argument to say, Well, they're different because of the secondary reference when the whole point that's being made is the copying. The only point to rely on

04:00:38 the re-exam is it's got the copying issue in it. So that's
04:00:41 point one which is identical between the two. In other
04:00:44 words, the issue that they want to argue about was made to
04:00:46 the Patent Office and didn't carry water.
04:00:50 The second thing that is meritless that I want
04:00:53 to point out is this argument about Thorsen being a
04:00:56 reference and just coming attractions for the Court on this
04:01:00 point.
04:01:00 The reason they dropped Thorsen had nothing to
04:01:02 do about this. That's just a baseless point. Thorsen is
04:01:06 the one where they -- is Quake's doctoral student, and it's
04:01:11 his thesis where they actually tried to do work on using the
04:01:17 Quake stuff that was never done for reactions, and it
04:01:20 failed. And Thorsen will be definitely explored next week.
04:01:26 But more I'm going to just -- there's an
04:01:29 assertion that's being made that's not -- doesn't have a
04:01:31 basis to it.
04:01:32 THE COURT: Okay. All right. Thank you.
04:01:36 All right, Mr. Powers. What else do you want to
04:01:39 talk about?
04:01:39 MR. POWERS: The last time we were before you,
04:01:42 you asked both of us pointed questions as to whether the
04:01:45 list of will-call witnesses was, in fact, the final final
04:01:49 list of will call. Both of us said yes.
04:01:53 We were told by counsel for Bio-Rad a few days

ago that they're considering calling Dr. Shinoff, but aren't telling us one way or another. I think we should get an answer to that today.

The second thing is -- and we asked whether they wanted to make a motion for leave to call him, and they've not made such a motion. And we would object to such a motion. We would object to even the issue being considered and ask Your Honor to say he can't come.

The second question is by noon today, we were supposed to have gotten the final list of claims, and it's 4:00, and we haven't gotten them. And --

THE COURT: All right. Well, let's deal with the second thing first.

MR. REINES: There was no -- yeah. There was no known order. Again, this is sort of in the Thorsen category. The statement was that we would get ours out by the end of today, and then you clarified that the invalidity position from 10X should come tomorrow at noon.

THE COURT: I remember that.

MR. REINES: There won't be anything in the record anywhere that says anything other than that, this is kind of like the Thorsen part.

MR. POWERS: I don't think Your Honor said end of day.

THE COURT: Didn't I originally say end of the

04:00:39 day for them, then end of tomorrow for you, and then
04:00:44 somebody with a silver tongue or something talked me into
04:00:48 like gee, that's kind of late, and I said yeah, okay, how
04:00:52 about noon on Friday. I think that's the way it went.
04:00:55 MR. POWERS: The switch was their's was going to
04:00:58 be later and you moved that up to Thursday and moved ours to
04:01:02 Friday as well. I just want a definite time when we're
04:01:05 going to get it.
04:01:06 THE COURT: When was the definite time?
04:01:08 MR. REINES: The end of the day today. Five
04:01:10 o'clock.
04:01:11 THE COURT: Thank you, Mr. Reines.
04:01:12 MR. REINES: No problem.
04:01:13 THE COURT: You have gave us the certainty I'm
04:01:15 looking for.
04:01:19 All right. So there was also a question which I
04:01:21 guess I had put off by this reckoning tomorrow of
04:01:25 indefiniteness. Is that still up in the air?
04:01:27 MR. POWERS: We'll provide that tomorrow.
04:01:29 MR. REINES: So that may entail from our
04:01:32 perspective, we'll see it, and then I assume we'll submit a
04:01:37 letter to the Court whether they think it's appropriate for
04:01:41 the jury to see it after we see it.
04:01:43 THE COURT: Sure. Go ahead. Submit it. What
04:01:45 about Dr. Shinoff? First off, you probably know, is it

04:01:52 Dr. Shinoff or Shinoff?

04:01:54 MR. REINES: Shinoff, like the shin in your leg.

04:01:57 THE COURT: Thank you.

04:01:58 MR. REINES: So the situation with that first of all, I have never known to go from a may to a will is an order thing.

04:02:05 THE COURT: Do you know what you're doing with him?

04:02:08 MR. REINES: Yes. And that is it turns logically on what happens with Daubert that came up. I think we need to see the Daubert before we can make the decision. We told them it's likely we are going to call him. It's not a will, because I don't want to give him a false will. It depends what's happens.

04:02:29 When we get the ruling, we'll look at it, we'll let them know in a timely way. I expect to cooperate on witnesses. Everything else is not debated, and we told them we think we should plan on him coming forward, but it really turns on Daubert because he's so bound up with that.

04:02:48 THE COURT: So basically what you're saying is if the Daubert motion is denied, then you're expecting you will call him. If it's granted, you're expecting you won't call him.

04:03:04 MR. REINES: I would be lying if I told you that we made the final conclusion on that, to be honest. It's

04:03:11 obviously a difficult decision and it would involve client
04:03:16 involvement since he's the client, A. And B, if it got
04:03:20 stricken, it would require further discussion. Plus there
04:03:22 is the two-day notice and we'll comply with the two-day
04:03:27 notice. So you know, they just took his deposition, and I'm
04:03:31 not sure what the issue is.
04:03:32 MR. POWERS: Can we get a final answer one way
04:03:35 or the other at the close of business tomorrow?
04:03:37 THE COURT: I think I don't know when I'm going
04:03:40 to get out whatever it is I'm getting out. You know, it
04:03:52 strikes me that you kind of got an answer which is
04:03:58 reasonably likely, but reasonably likely if you lose the
04:04:06 motion, probably very likely if you lose the motion I guess.
04:04:10 But it seems like something less than certainty. So
04:04:15 Mr. Reines, after you get the motion, when are you going to
04:04:22 decide?
04:04:22 MR. REINES: We'll meet obviously with the
04:04:24 client as promptly and they should be able, it depends what
04:04:28 time of day or whatever, we will do our very best to get
04:04:31 them an answer within -- I mean, depends when it comes, but
04:04:36 within a matter of hours, not days. How about that?
04:04:40 THE COURT: All right.
04:04:41 MR. REINES: I'm not going to delay informing
04:04:44 them of the situation, I represent to the court, as soon as
04:04:47 we practically can we will let them know and put it as a

priority item.

THE COURT: All right. Do you have any more to say?

MR. POWERS: Not to that. Your Honor, there is two housekeeping matters I want to address.

THE COURT: Okay. Housekeeping.

MR. POWERS: One is Your Honor made a comment at the last hearing that you would expect the parties to exchange opening slides.

THE COURT: I did, or I don't know what I did, but I would.

MR. POWERS: And I want to advise the Court that we reached agreement that we will do so with the timing sequence for objections and resolutions, et cetera, with the agreement that neither party will make any substantive changes to the slides upon receiving the others, other than whatever specifically is required to cure an objection.

MR. REINES: And we're in agreement. I think we both would want that requirement, so we're in agreement.

THE COURT: As long as you're in agreement, it's considered to be so ordered.

MR. POWERS: The last housekeeping item deals with the process for admitting exhibits through experts. This is primarily damages experts where there is a bunch of them.

04:05:53 THE COURT: Okay.

04:05:53 MR. POWERS: And our proposal is to vary from the normal practice of admitting them one by one at each time just because the parties will have met and conferred about the exhibits the night before with the slides, et cetera, and the list of exhibits.

04:06:12 THE COURT: So you have agreement as to how you would like to do that?

04:06:19 MR. POWERS: We have raised it. I don't think we have an agreement. We don't have a disagreement, we just don't have an agreement.

04:06:24 MR. REINES: We haven't heard on this. If it's good for damages and technical, we're comfortable on both. I think it's smart.

04:06:32 MR. POWERS: Then we have agreement.

04:06:34 THE COURT: Well, it sounds like you have an agreement; right?

04:06:38 MR. REINES: Assuming that it applies to all experts, yes.

04:06:41 MR. POWERS: Yes.

04:06:41 THE COURT: Okay.

04:06:50 MR. POWERS: There is one more item on my list that Your Honor may not have time to take up, but I would like to have a process for taking it up. There are exhibits that both sides have been trying to preclear.

04:07:04 THE COURT: Okay.

04:07:05 MR. POWERS: There are a few disputes that
04:07:07 remain, some which I think are going to be relevant to
04:07:12 openings. And so we wanted to have a process by which we
04:07:17 could do that before Monday morning. And I think it's
04:07:23 probably -- we have I think three or four, they have I think
04:07:27 three or four. We're prepared to do it now. But I do think
04:07:34 it would be better to do it now than Monday morning for
04:07:37 opening.

04:07:38 THE COURT: No, I understand Monday mornings is
04:07:40 not a good time to do it.

04:07:46 MR. POWERS: I'll just give you an example as to
04:07:49 how easy this will be. There is an e-mail to Dr. Saxonov
04:07:56 from Dr. Ismagilov where they're objecting, they think it's
04:08:00 hearsay, but it's an e-mail that he received and that he
04:08:04 produced, so it's hard to see --

04:08:08 THE COURT: Presumably what purpose are you
04:08:10 offering it for?

04:08:11 MR. POWERS: One of them is a very long list of
04:08:14 companies that they have attempted to license his patents to
04:08:18 who refused, and it's coming from the University of Chicago,
04:08:23 so it's an admission by Chicago, so the idea that this is
04:08:28 hearsay I think is silly. It's from one party to another.
04:08:31 And it's clearly an admission.

04:08:33 THE COURT: When you say party, Dr. Ismagilov,

is he a party?

MR. POWERS: No, University of Chicago.

THE COURT: I know the University of Chicago is.

MR. POWERS: It's from the licensing person in Chicago who is also going to be a witness, to Ismagilov who is going to be a witness, there is no set of facts that makes that e-mail not come in. They're trying to keep it out.

THE COURT: You're saying the author of the e-mail is going to show up and testify?

MR. POWERS: Yes.

THE COURT: So presumably --

MR. POWERS: And the recipient.

THE COURT: So let me ask first the plaintiff. Plaintiffs, do you want to do this right now or is Mr. Powers taking you by surprise here?

MR. REINES: No, I think it's a wise idea. I mean, it's an imposition on you, but if you're willing to hang with us, it helps both sides. I'm perfectly willing to do this.

THE COURT: I'm wondering whether you would rather to do it tomorrow morning or whether you are organized right now. In that case we can keep on going.

MR. REINES: I think we can probably do it now.

MR. POWERS: I think it's probably better to do

it now.

THE COURT: Let's do it now then, at least until I lose enthusiasm.

So this particular exhibit, does it have a number?

MR. POWERS: It does, Your Honor.

THE COURT: I take it Mr. Walters, you're now in charge.

MR. WALTERS: I'm in charge. Mr. Lavin, my colleague, is going to be addressing these exhibit issues.

THE COURT: Mr. Lavin. Go ahead. I would like to get us on the same page, Mr. Powers, with what you're talking about.

MR. POWERS: There is a few of them. The first one, Your Honor, is DTX-689.

THE COURT: All right. So Mr. Lavin, what's your objection to this exhibit.

MR. LAVIN: Based on the parties' conversation yesterday it was more of we were doing an exchange of exhibits, so I think the ones that Mr. Powers is referring to are 689.

THE COURT: 689.

MR. LAVIN: 612.

THE COURT: Let's do one at a time because all I have is the one.

04:11:47 MR. LAVIN: It was a reciprocal exchange. We
04:11:50 were considering these exhibits whereas we have our own
04:11:53 exhibits that we would like to get in as well.
04:11:54 THE COURT: What you're telling me is you don't
04:11:56 necessarily object to this. It sounds like what you're
04:12:00 telling me is you haven't actually finished, this is
04:12:03 important, you want to get it resolved, but you haven't
04:12:06 tried to finish resolving it yourself?
04:12:09 MR. LAVIN: That's correct. We were only made
04:12:11 aware of these exhibits yesterday.
04:12:13 MR. POWERS: There has been quite a bit of
04:12:15 discussion about this. We're now at an impasse.
04:12:18 THE COURT: It sounds like maybe you're not at
04:12:20 an impasse based on what Mr. Lavin says. I'm looking at
04:12:26 this, I don't think they're going to be maintaining their
04:12:29 objection to this.
04:12:30 MR. POWERS: They have for quite some time,
04:12:32 that's why I wanted to raise it.
04:12:34 THE COURT: I appreciate that. Why don't we do
04:12:37 this. You said there is a handful of exhibits. You may not
04:12:39 have used the word handful, you said there was a bunch of
04:12:42 easy ones. Why don't you all -- why don't we recess for
04:12:48 today. I will meet you whatever time you want tomorrow.
04:12:54 Honestly I will be here all day and can see you on short
04:13:00 notice or I can see you -- or I can set time right now which

will be 9:00 a.m. tomorrow, if you like.

MR. POWERS: My suggestion would be to set it later to give the parties more time hopefully to resolve it if that's going to be possible.

THE COURT: Like I said, I'm here all day. What time would you like?

MR. POWERS: Why don't we say three o'clock just to give parties time.

THE COURT: Are you available then?

MR. REINES: Yes, we're available.

THE COURT: Three o'clock tomorrow. And what would be helpful is to the extent you don't resolve this between yourselves, and I understand you probably won't resolve everything, is to have basically two sets of exhibits to just hand up of whatever the exhibits are that are in dispute so we can not be shuffling around trying to get to the same page. Okay?

MR. POWERS: Yes. Your Honor, one final point. I know that you haven't yet ruled, but I want to be clear that our position is that if the provisional is not admitted, they can't make a claim for priority back to the provisional.

THE COURT: Okay.

MR. POWERS: Which means they're stuck with the 2003 date which then changes all sorts of things. It

changes the effective date for purposes of simultaneous invention which is an issue. They can't have it both ways, they're either stuck with an affirmative change in their position, or the provisional has to come out.

THE COURT: Let me ask you this. If they introduce into evidence the provisional application, are you expecting testimony to go along with it?

MR. POWERS: Certainly testimony, testing Dr. Ismagilov's credibility would be relevant.

THE COURT: No, no, you misunderstand my question.

MR. POWERS: The experts certainly on priority, yes.

THE COURT: So you won't have experts presumably -- so you want it to be an issue where we have the experts argue as to whether or not the application essentially enables the later claims?

MR. POWERS: They have taken that position in the interrogator and we should be allowed to test that. Their expert has taken a position on it, it's an issue.

THE COURT: What do you have to say about that?

MR. REINES: I have to say that it's not relevant to any issues for trial. If showing enablement and reliance on new matter, therefore that implies that it's part of the invention, therefore part of the invention is

04:15:32 obviousness, that's too many steps in the logic chain in any
04:15:37 event.
04:15:38 THE COURT: Here is the thing is so tell me,
04:15:41 Mr. Reines, so do you agree that the pretrial order says the
04:15:56 priority of the patents is at issue for the trial?
04:15:59 MR. REINES: There is eighty issues in there or
04:16:03 more. And was it at one point something that someone puts
04:16:06 in, yes. Is it an actual issue at trial, the answer is no.
04:16:10 The prior art is not a question about it, the difference is
04:16:12 one year. No one is arguing there is a difference in the
04:16:15 state of art or anything else based on that, and it's just a
04:16:20 justification for a side show.
04:16:22 THE COURT: I understand that. Basically what I
04:16:27 would like to do is to say, which is what I think based on
04:16:33 what I heard is true, is too late. It's not a disputed
04:16:45 fact. The parties whether it's in the pretrial order or not
04:16:49 have been treating it as not a disputed fact, and just
04:16:54 because it may be the case that I would allow the
04:17:00 provisional agreements into other reasons, I'm not going to
04:17:03 turn it into a disputed fact two days before trial. That's
04:17:06 what I'm inclined to do.
04:17:08 What I'm kind of asking you, Mr. Reines is, is
04:17:13 that what you want me to say?
04:17:15 MR. REINES: Yes, Your Honor.
04:17:18 MR. POWERS: However, Your Honor, it's part of

04:17:20 the file history which comes in.

04:17:21 THE COURT: No, it's not coming in. The file

04:17:24 history is not coming in.

04:17:26 MR. POWERS: Typically the file histories are

04:17:27 relevant and admissible and relevant to the intrinsic

04:17:32 record.

04:17:32 THE COURT: You know, Mr. Powers, I know you

04:17:37 have tried lots of these cases and you have tried lots of

04:17:39 these cases in lots of different places, but --

04:17:46 MR. POWERS: And lots here.

04:17:47 THE COURT: -- I have my own views about what's

04:17:50 usual, and there is no actual good point to putting file

04:17:56 histories in before the jury. It's irrelevant to

04:18:01 infringement. It's irrelevant to damages. And generally

04:18:07 irrelevant to invalidity. Irrelevant to everything other

04:18:11 than giving them a chance to second guess claim construction

04:18:14 and to do other things that they're not supposed to do. So

04:18:24 you know, I'm not putting the file history into evidence

04:18:27 just because one side or the other -- because it is, in

04:18:32 fact, part of the intrinsic record, but it's -- you know,

04:18:36 unless somebody points out to me some actual relevant

04:18:39 portion, it's irrelevant.

04:18:42 MR. POWERS: Sorry, I understand what Your Honor

04:18:44 is saying and won't attempt to argue further, but I do want

04:18:50 to note that I assume that whatever you rule as to the

provisional doesn't apply to the actual patents-in-suit.

THE COURT: No.

MR. POWERS: If he copied key portions of the patents-in-suit from Quake.

THE COURT: The patents-in-suit, they're going to come into evidence. I mean, they're usually Exhibits 1 through 5 or how many patents you're going to have by today at 5:00. I guess if I stay around long enough, I can find out when everyone else does.

So, yeah, that's coming in. But, I mean, there is a question, and I will be thinking about it. Maybe we can talk about it more tomorrow. But the fact that they're coming in -- when I say we can talk about it more tomorrow, we can talk about it more about exactly what arguments you can make based on, Here's the patent, the asserted patent, and here is Quake. Right?

Just because you have these -- you know, I don't know what the answer is.

MR. POWERS: The answer is substantial portions were copied directly.

THE COURT: No. No, that's not the question I don't know the answer to, even though I didn't know the answer to that one, either. What I mean is I'm not sure what you as a defendant can -- so, yeah, I mean, actually as I'm thinking about it, obviously, for obviousness, I think

that when you have a specification, you can, you know, say, Here it's citing Quake or here it's not. Actually, even though it's not citing Quake, you can see it's the same as Quake.

You know, but there's a question which I have to think about: Can you say the word copy, or do you just say the word the same?

MR. POWERS: Understood, Your Honor. One final question.

I understand Your Honor's issue in the priority date, but I do want to make it really clear because Your Honor's saying there's no question about the priority. It's not at issue. If they don't agree that the Thorsen thesis is prior art, then it is an issue, and so they should be put to that today because we shouldn't bear the risk that their position changed. If they're going to no longer rely on the provisional, and claim the priority date of that provisional, then they're stuck with the 2003 date. And the Thorsen thesis is 2002.

THE COURT: No, but see that's the thing is they're not saying the priority date is anything other than what they've said all along.

MR. POWERS: But they can't defend that. They have to prove that. That's something they do have to prove. That's their burden of proof.

04:24:32 THE COURT: Well, so if it turns out that I
04:24:34 don't think the provisional agreement should come into
04:24:37 evidence, I'm going to let them prove that without putting
04:24:40 the provisional in evidence.
04:24:44 MR. POWERS: It's not physically possible for
04:24:46 them to claim prior art to the provisional -- well, without
04:24:47 citing to the provision.
04:24:49 THE COURT: Well, they can cite to that. They
04:24:50 just don't have to put it into evidence.
04:24:54 MR. POWERS: And if we dispute that, how is the
04:24:56 jury to resolve that question if they don't have the
04:24:59 provisional in front of them?
04:25:00 THE COURT: Well, we'll get to that when we get
04:25:01 to that, but I don't think it's going to come to that.
04:25:04 MR. POWERS: Well, it does come to that.
04:25:06 THE COURT: Okay. Let's finish for the day. So
04:25:12 I will see you at three o'clock tomorrow.
04:25:18 I don't think I'm going to get agreement, but
04:25:19 when you talk about various things, just think about --
04:25:33 well, actually is there any evidence that you know of in
04:25:41 this case, Mr. Powers, that there's something unethical or
04:25:51 otherwise dishonest about what about Professor Ismagilov or
04:26:00 about the provisional application having the 16 pages that
04:26:05 are virtually the same as 16 pages in Quake?
04:26:11 MR. POWERS: I would say there are at least two

things I'm aware of.

THE COURT: Okay.

MR. POWERS: And beyond just, first, obviously it's understood by people dealing with the Patent Office, they have a duty of candor and honesty. And to claim something as their own when they copied it violates that. So that would make it improper and dishonest.

Second, Dr. Ismagilov is an academic. He was a professor at Chicago and is a professor at Caltech. There are well-recognized policies that bind academic admissions that they are extremely familiar with that say you never copy somebody else's work without giving them attribution. So the norms under which Dr. Ismagilov grew up, and operated, and enforced on his students would absolutely prohibit what he did. So I think those two at a minimum.

The third, obviously, is I think without citing a point of law, to have someone say the preferred embodiment of my invention is "X" in your patent application and in your patent where you have sworn that everything in the patent application, that patent is true, and you invented it. And you have say that when you actually copied those exact words.

THE COURT: But --

MR. POWERS: It goes directly to his credibility.

04:27:45 THE COURT: But if he, in fact, says in the
04:27:47 patent application, the preferred embodiment is "X," and you
04:27:51 have Quake saying, at some point in the past, the preferred
04:27:58 embodiment is "X" and describing the same thing, you know,
04:28:05 that seems to me to be fair cross-examination.
04:28:11 MR. POWERS: We certainly agree, and that's what
04:28:13 we've been asking to do. Now, we can't do that effectively
04:28:16 if the provisional is not in evidence.
04:28:18 THE COURT: No, but I don't understand why
04:28:19 that's the case. You know, it's like you want to have the
04:28:23 middleman. You've got the patent. You've got Quake. If
04:28:28 Quake is then paragraph after paragraph in the patent, you
04:28:35 don't need the middleman.
04:28:38 MR. POWERS: We need the middleman because it's
04:28:41 the basis upon which they've claimed priority, and it's the
04:28:45 first application that he filed.
04:28:46 THE COURT: No, but to show the fact that it's
04:28:49 the same as Quake, you don't need it. If it's the same as
04:28:52 Quake, it's the same as Quake, whether there is one or
04:28:55 multiple things in the middle that are also the same as
04:28:58 Quake.
04:28:59 MR. POWERS: There are more in the provisional
04:29:01 than there are in the patent.
04:29:02 THE COURT: Okay. All right.
04:29:05 MR. POWERS: And so that --

04:29:06 THE COURT: Do you have one more thing?
04:29:08 MR. POWERS: No, I don't.
04:29:09 THE COURT: Okay.
04:29:10 MR. REINES: Thank you.
04:29:10 THE COURT: Mr. Reines, you're a few behind on
04:29:14 the one more thing.
04:29:15 MR. REINES: Well, yeah. I think I'm never
04:29:16 going to catch up. And it's never one more thing. It's
04:29:19 always two or three more things.
04:29:20 On the question of the impropriety issue, which
04:29:25 is whether it's improper, this violation of the duty of
04:29:29 candor, this is what I'm thinking. And maybe I'm lost at
04:29:34 this, but if someone presented you and said, We have an
04:29:37 inequitable conduct argument. Just hear me out. Please be
04:29:41 concise. But we don't have materiality. We just have a
04:29:45 duty of the candor violation, but we don't have the other
04:29:48 elements of inequitable conduct. And they wanted to come to
04:29:51 trial and prove the duty of candor, I'd like to think you
04:29:55 would issue a limine order immediately precluding that.
04:30:00 Thank you.
04:30:00 THE COURT: Okay. All right. Well, I will see
04:30:10 you all tomorrow at three o'clock.
04:30:12 MR. REINES: Thank you, Your Honor.
04:30:13 THE COURT: And I will be available to help you
04:30:21 for however long. You may not think' it's helpful, but I

will be available to hear you for however long it takes.

THE CLERK: All rise.

(Court was recessed at 4:30 p.m.)

I hereby certify the foregoing is a true and accurate transcript from my stenographic note in the proceeding.

/s/ Heather M. Triozzi
Official Merit Reporter
U.S. District Court